

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF OTTUMWA, IOWA

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2011

DEPARTMENT OF FINANCE

ROBERT P. JAY, JR.
DIRECTOR OF FINANCE

INTRODUCTION SECTION

CITY OF OTTUMWA, IOWA

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COMPREHENSIVE ANNUAL REPORT

CITY OF OTTUMWA, IOWA

MAYOR - COUNCIL

MAYOR

Dale M. Uehling

TERM EXPIRES

January 3, 2012

CITY COUNCIL

Keith Caviness
Mitch Niner
Jeremy Weller
Brian Morgan
Bob Meyers

TERM EXPIRES

January 2, 2012
January 2, 2012
January 2, 2014
January 2, 2014
January 2, 2014

CITY CLERK

Amanda Valent

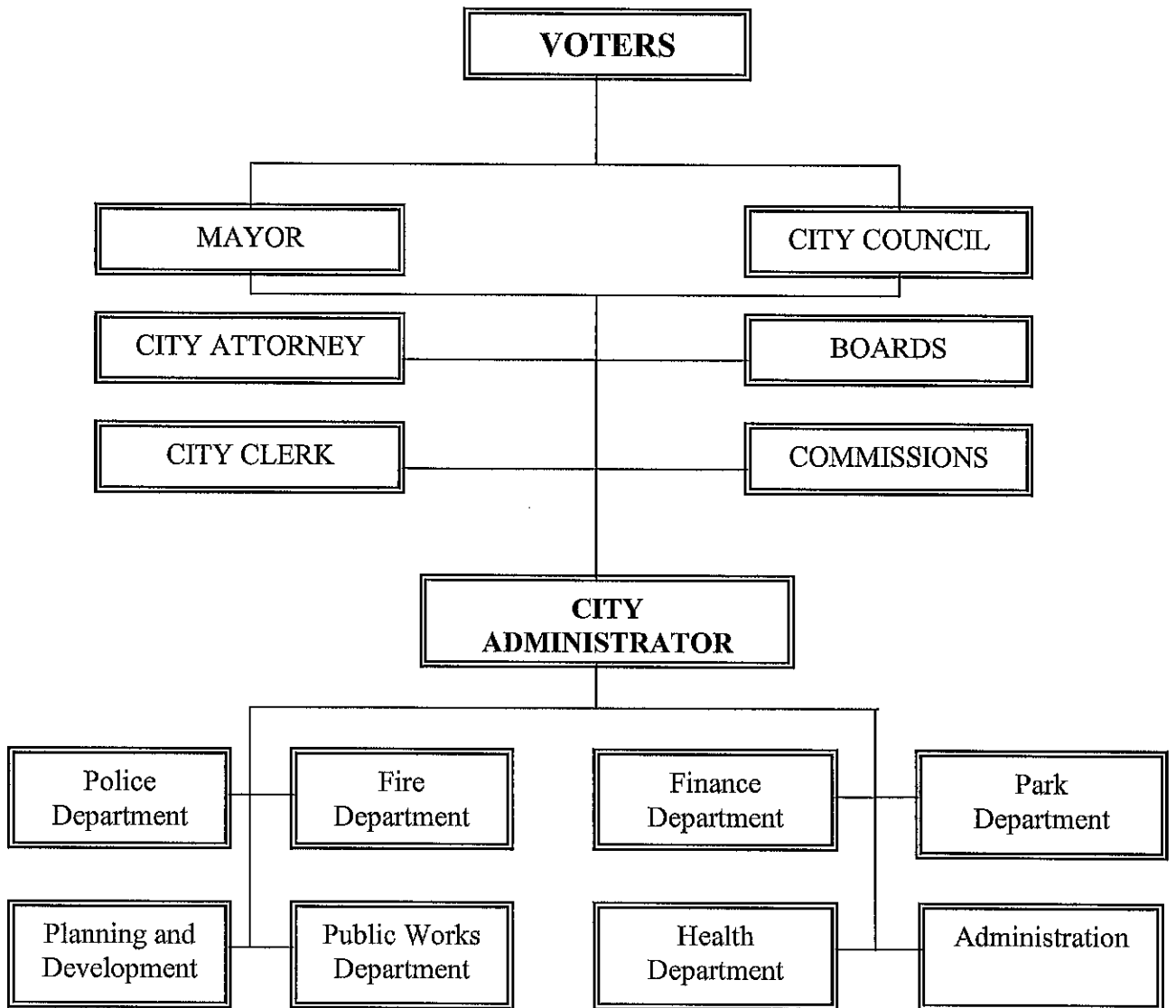
CITY ADMINISTRATOR

Joseph Helfenberger

CITY ATTORNEY

Joni Keith

CITY OF OTTUMWA





December 21, 2011

To the Honorable Mayor, Members of the
City Council, City Administrator
and Citizens of the City of Ottumwa

State law requires that every City with a population over 700 complete a set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Anderson, Larkin & Co. P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Ottumwa's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Ottumwa, incorporated in 1851, is located in the southeastern part of the state. It currently occupies 16 square miles and serves a population of 24,998. The City of Ottumwa is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation.

The City of Ottumwa has operated under the Mayor-Council form of government since 1988 with an appointed city administrator. Policy-making and legislative authority are vested in the City Council consisting of five members, all elected on a non-partisan basis. The Council appoints the city administrator, who in turn appoints the heads of the various departments. Council members serve four-year terms, with three and two members elected every two years. The mayor is elected for a two-year term. The mayor and council members are all elected at large.

The City of Ottumwa provides a full range of municipal services. These services include public safety (Police and Fire), solid waste disposal, parks and recreation, planning and zoning, water and sewer, public improvements, airport, health and social services, mass transportation and general administrative services.

The Ottumwa Housing Authority and Ottumwa Water & Hydro are considered by the City to be substantially autonomous organizations and are, therefore, not included in this report. The City has two funds that are presented on discrete presentation basis. They are the Hazardous Materials (operated by the Ottumwa Fire Department) and 10-15 Transit (operated by the Ottumwa Transit Authority) funds. Both are the result of Chapter 28.e. agreements executed by County governments in Southeast Iowa. The City is in charge of accounting, cash management and financial reporting for these 28.e organizations, however, they operate autonomously from the City Council, thus they are presented discretely.

In accordance with the Code of Iowa, the City Council annually adopts a budget on substantially the same basis used for financial reporting following required public notice and hearing for all funds. The City budgets capital items and debt principal in the proprietary funds. In addition, depreciation is not budgeted in the proprietary funds. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification of the city administrator. The budget is formally amended by the City Council following the required public notice and hearing. Annual appropriated budgets are adopted for all City funds. All annual appropriations lapse at fiscal year end.

Formal and legal budgetary control is based upon nine major classes of expenditures, known as functions, not by fund. These nine functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Expenditures may not exceed the overall appropriation for the City. Management may transfer appropriations within each function.

The city administrator presents the annual budget to the City Council for consideration no later than January 31. The Council holds hearings with the public prior to the budget being adopted. By March 15, the adopted budget is certified to the County Auditor who, in turn, certifies the City budget to the Iowa Department of Management.

This budget is effective July 1 and becomes the appropriations for the fiscal year. Strong emphasis is placed on monitoring of budgets especially by major classifications such as personal services, commodities and contractual services and capital outlay. Monthly reports are prepared for each activity and program in order to assure that program expenditures do not exceed budgeted amounts.

Ottumwa has a diversified industrial base and is the manufacturing center for Southeast Iowa. Cargill Meat Solutions and John Deere Ottumwa Works employ 2400 and 940 respectively. Please refer to the statistical section for more information on major employers in the City.

Public safety costs continue to increase and consume 80% of the net General Fund expenditures (property taxes). Expenses for Public Service have been increasing as well due in part to using local option sales tax to finance an expanded street repair program.

Long-term Financial Planning

The unassigned fund balance in the General Fund was 27% of General Fund revenue. The City Council does not have a formal policy on a targeted fund balance.

Major Initiatives

The South Ottumwa Sewer Separation Project is under construction. Phase 1 was completed June 30, 2008 at a cost of approximately \$9 million. Phase 2 was completed May 6, 2011 at a cost of approximately \$6 million. Phase 3 is under way with a projected cost of \$7.4 million. Continental Properties LLC is currently developing a ten acre site for a new Kohl's department store scheduled to be completed in the fall of 2012. The Water Pollution Control Facility project has been completed at a cost of \$3.4 million. The West Sewer Separation is under planning and design and the North Side Sewer study is nearly complete. Construction and Planning and Design funding comes from a combination of CDBG grants and Iowa Finance Authority State Revolving (SRF) loans. The SRF loans are being repaid with a combination of local option sales tax proceeds and sewer fee revenue.

The City of Ottumwa in cooperation with Ottumwa Water & Hydro will be installing additional infrastructure at the Ottumwa Industrial Airport and Ottumwa Water & Hydro has installed a new water line to the Ottumwa Industrial Airport at a combined project cost of \$3.1 million. This project is being funded with an Economic Development Administration grant and funds provided by the City of Ottumwa and Ottumwa Water & Hydro.

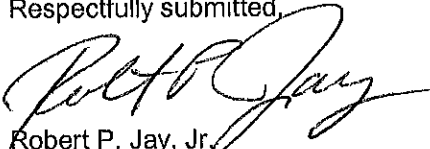
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ottumwa for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the seventeenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the city administrator, mayor and the City council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Ottumwa's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert P. Jay, Jr.", written over a horizontal line.

Robert P. Jay, Jr.
Director of Finance/City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ottumwa
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Enen

Executive Director

CITY OF OTTUMWA, IOWA

FINANCIAL SECTION



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Ottumwa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ottumwa, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, at June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2011, on our consideration of the City of Ottumwa, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 8 and 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ottumwa, Iowa's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
December 21, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ottumwa, Iowa, we offer readers of the City of Ottumwa's financial statements this narrative overview and analysis of the financial statements of the City of Ottumwa for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages VI to VIII of this report.

Financial Highlights

- The assets of the City of Ottumwa exceeded its liabilities at the close of June 30, 2011, by \$100.3 million (net assets). Of this amount, \$20.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net assets increased by \$6.1 million.
- At the close of the current fiscal year, the City of Ottumwa's governmental funds reported combined ending fund balances of \$15.6 million, an increase of \$.2 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2.6 million, or 23 percent of the total general fund expenditures.
- Total City debt increased by \$1.0 million (4 percent) during the current fiscal year. The City issued \$11.8 million new bonds and retired \$10.8 million of existing bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Ottumwa's basic financial statements. The City of Ottumwa's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The first two statements are highly condensed and present a government-wide view of the City's finances. The governmental activities of the City of Ottumwa include general government, police and fire protection, streets and public buildings operation and maintenance, and parks and recreation oriented activities. The major business-type activities of the City include solid waste, sewer system and events center. Included within other business type activities are a transit system, and a golf course. The City's two component units, Hazardous Materials and 10-15 Transit System, are also included. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets. The Statement of Net Assets presents information on all of the City of Ottumwa's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Starting with the adoption of GASB 34, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business activities have long reported capital assets and long-term liabilities.

The Statement of Activities is also included in the government-wide financial statements. The focus of the Statement of Activities is to show how the government's assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide statements include the Statement of Net Assets and the Statement of Activities and can be found on pages 9 through 11 of this report.

Statement of Net Assets as of June 30, 2011 and 2010:

This section discusses and analyzes the significant differences between this and the prior fiscal year. A condensed version of the Statement of Net Assets as of June 30, 2011 and 2010 follows:

Statement of Net Assets at Year-end (In Thousands)

	June 30, 2011			June 30, 2010		
	Governmental Activities	Business Type Activities	Total Government	Governmental Activities	Business Type Activities	Total Government
Cash and investments	\$ 18,649.2	\$ 5,560.9	\$ 24,210.1	\$ 17,510.9	\$ 5,824.6	\$ 23,335.5
Other assets	15,651.9	3,361.4	19,013.3	13,892.1	2,255.9	16,148.0
Capital assets	<u>44,002.6</u>	<u>64,684.3</u>	<u>108,686.9</u>	<u>40,510.7</u>	<u>62,293.2</u>	<u>102,803.9</u>
Total assets	<u>78,303.7</u>	<u>73,606.6</u>	<u>151,910.3</u>	<u>71,913.7</u>	<u>70,373.7</u>	<u>142,287.4</u>
Current liabilities	19,437.7	4,949.3	24,387.0	13,981.3	1,116.9	15,098.2
Noncurrent liabilities	<u>5,153.2</u>	<u>22,071.5</u>	<u>27,224.7</u>	<u>7,720.5</u>	<u>25,297.0</u>	<u>33,017.5</u>
Total liabilities	<u>24,590.9</u>	<u>27,020.8</u>	<u>51,611.7</u>	<u>21,701.8</u>	<u>26,413.9</u>	<u>48,115.7</u>
Net assets:						
Invested in capital assets, net of related debt	37,392.6	41,333.8	78,726.4	34,380.8	39,704.9	74,085.7
Restricted	1,099.0	95.0	1,194.0	1,036.3	95.0	1,131.3
Unrestricted	<u>15,221.2</u>	<u>5,157.0</u>	<u>20,378.2</u>	<u>14,794.7</u>	<u>4,159.9</u>	<u>18,954.6</u>
Total net assets	\$ <u>53,712.8</u>	\$ <u>46,585.8</u>	\$ <u>100,298.6</u>	\$ <u>50,211.8</u>	\$ <u>43,959.8</u>	\$ <u>94,171.6</u>

Governmental Activities

The net assets for governmental activities increased approximately \$3.5 million or 7 percent. This increase is primarily the result of a \$3 million increase in capital assets net of related debt and \$426,000 increase in unrestricted assets.

Business-Type Activities

Net assets increased in part due to capital assets increasing \$3 million for fiscal year 2011. A substantial portion of these capital assets were paid with Federal and State grants. This is primarily the result of a \$1.6 million increase in capital assets net of related debt and a \$997,000 increase in unrestricted assets.

Statement of Activities for the Fiscal Years Ended June 30, 2011 and 2010:

A summary version of the Statement of Activities follows:

Governmental and Proprietary Activities For Fiscal Years Ended June 30, 2011 and 2010 (In Thousands)

	June 30, 2011			June 30, 2010		
	Governmental Activities	Business Type Activities	Total Government	Governmental Activities	Business Type Activities	Total Government
Revenues:						
Charges for services	\$ 7,712.9	\$ 9,090.8	\$ 16,803.7	\$ 6,427.3	\$ 8,615.9	\$ 15,043.2
Operating grants and contributions	3,054.5	1,279.7	4,334.2	3,611.8	792.2	4,404.0
Capital grants and contributions	2,060.9	1,023.5	3,084.4	5,259.3	3,920.0	9,179.3
General revenues:						
Property taxes	11,821.1	388.9	12,210.0	11,370.7	378.9	11,749.6
Local option sales tax	3,074.8	-	3,074.8	2,769.6	-	2,769.6
Other taxes	610.9	-	610.9	583.4	-	583.4
Investment income	102.4	55.8	158.2	136.1	74.0	210.1
Other	<u>48.5</u>	<u>-</u>	<u>48.5</u>	<u>58.1</u>	<u>-</u>	<u>58.1</u>
Total revenues	\$ <u>28,486.0</u>	\$ <u>11,838.7</u>	\$ <u>40,324.7</u>	\$ <u>30,216.3</u>	\$ <u>13,781.0</u>	\$ <u>43,997.3</u>

	June 30, 2011			June 30, 2010		
	Governmental	Business	Total	Governmental	Business	Total
	Activities	Type	Government	Activities	Type	Government
		Activities			Activities	
Expenses:						
General government	\$ 2,454.2	\$ -	\$ 2,454.2	\$ 2,270.1	\$ -	\$ 2,270.1
Public safety	7,878.2	-	7,878.2	7,418.5	-	7,418.5
Public services	7,865.3	-	7,865.3	7,623.8	-	7,623.8
Culture and recreation	2,606.6	-	2,606.6	2,458.8	-	2,458.8
Community development	1,672.3	-	1,672.3	1,668.3	-	1,668.3
Interest on long-term debt	472.2	-	472.2	878.6	-	878.6
Solid waste	-	2,117.8	2,117.8	-	1,940.9	1,940.9
Sewer utility	-	5,866.2	5,866.2	-	5,137.8	5,137.8
Events center	-	1,684.4	1,684.4	-	1,817.5	1,817.5
Ottumwa Transit	-	1,507.9	1,507.9	-	1,442.8	1,442.8
Golf course	-	72.5	72.5	-	40.0	40.0
Total expenses	<u>22,948.8</u>	<u>11,248.8</u>	<u>34,197.6</u>	<u>22,318.1</u>	<u>10,379.0</u>	<u>32,697.0</u>
Excess of revenue over expenses	5,537.0	589.9	6,126.9	7,898.4	3,402.0	11,300.4
Transfers	<u>(2,036.1)</u>	<u>2,036.1</u>	<u>-</u>	<u>(1,837.2)</u>	<u>1,837.2</u>	<u>-</u>
Change in net assets	3,500.9	2,626.0	6,126.9	6,061.2	5,239.2	11,300.4
Beginning net assets	<u>50,211.9</u>	<u>43,959.8</u>	<u>94,171.7</u>	<u>44,150.7</u>	<u>38,720.6</u>	<u>82,871.3</u>
Ending net assets	\$ <u>53,712.8</u>	\$ <u>46,585.8</u>	\$ <u>100,298.6</u>	\$ <u>50,211.9</u>	\$ <u>43,959.8</u>	\$ <u>94,171.7</u>

Governmental Activities

Charges for services make up 27 percent of governmental revenues. The remaining revenue comes from taxes, primarily property taxes (54 percent), capital grants and contributions (7 percent) and operating grants and contributions (11 percent).

Business Type Activities

In most years charges for services is the primary revenue source for business type activities. Sewer fees make up the largest portion (45 percent) of total revenues. Other significant items are landfill fees at 19 percent and Event Center fees at 6 percent of total revenue.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, and the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Ottumwa maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Road Use Tax, Tax Increment Fund, Local Option Sales Tax, Employee Benefits, and Debt Service Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found elsewhere in the report. The basic governmental fund financial statements can be found on pages 12 through 17.

Significant changes in fund balances are summarized below:

General Fund – Increased \$772,524 primarily due to an increase in the transfers in for employee benefits and an increase in charges for services revenue.

Tax Increment Financing – Decreased \$199,171 primarily due to a net increase other financing uses.

Employee Benefits – Decreased \$204,375 primarily due to an increase in transfers out.

Proprietary Funds

The City of Ottumwa maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sewer, Solid Waste, Events Center, Golf Course and Transit System. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Ottumwa uses internal service funds to account for its payroll clearing, equipment purchasing and employee insurance functions. Because all of these services predominately benefit governmental rather than business type functions, they have been included with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste, Sewer Utility and Events Center as these are considered major proprietary funds of the City. Data from the other two enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All Internal Service funds are combined into a single aggregate presentation in the proprietary fund financial statements. Individual fund amounts for internal service funds is provided in the form of combining statements found elsewhere in this report. The basic proprietary financial statements can be found on pages 18 through 23 of this report.

Significant changes in net assets are summarized below:

Solid Waste – Increased \$324,968, which is primarily the result of increased revenue over the previous year.

Sewer Utility – Increased \$1.9 million due to an increase in grants and contributions and an increase in transfers in.

Events Center – Increased \$524,498. This is an increase comparable to the previous year and is primarily due to no transfers out being made and an increase in event revenue.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the amounts provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budget to actual comparisons for all budgetary funds and a schedule of funding progress for the Retiree Health Plan. This required supplementary information can be found on pages 53 through 56 of this report.

The combining statements referred to earlier in connection with non-major special revenue, capital projects, and permanent funds (governmental), non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information discussed above. Combining and individual fund statements and schedules can be found on pages 57 through 74 of this report. Additionally; the Schedule of Expenditures of Federal Awards can be found on pages 75-76 of this report.

Budgetary Highlights

The City had one budget amendment during the fiscal year. The following summarizes the impact of the amendments on the General Fund. Total budgeted expenditures and transfers out increased \$15,839,695. Public Safety increased \$355,502, Public Works increased \$837,780, Health and Human Services increased \$101,800 and Culture and Recreation increased \$414,509. Community and Economic Development decreased \$20,776. General Government increased \$81,950. Capital Projects increased \$5,082,235. Debt Service increased \$5,176,565. Business Type/Enterprises increased \$1,909,828 and Transfers Out increased \$1,900,302.

Even with this amendment, the City exceeded the budgeted amount in the business-type activities function for the year ended June 30, 2011.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the City had invested \$108.4 million in capital assets as reflected in the following table. This investment includes land, buildings, improvements, machinery and equipment. Infrastructure is also included. Additional information on the City of Ottumwa's capital assets can be found in notes on pages 33 through 37 of this report.

Capital Assets at Fiscal Year-End (Net of Depreciation) (In Thousand's)

	Governmental Activities		Business Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,532.8	\$ 3,532.8	\$ 1,854.4	\$ 1,854.4	\$ 5,387.2	\$ 5,387.2
Buildings	3,624.2	3,255.7	31,827.2	30,494.5	35,451.4	33,750.2
Improvements other than buildings	704.3	756.4	5,394.6	3,839.7	6,098.9	4,596.1
Machinery and equipment	2,248.9	1,740.6	2,932.0	3,644.4	5,180.9	5,385.0
Infrastructure	30,871.9	25,849.9	14,810.0	15,540.4	45,681.9	41,390.3
Intangibles	-	-	229.8	329.6	229.8	329.6
Construction in progress	<u>3,020.5</u>	<u>5,375.3</u>	<u>7,388.8</u>	<u>6,590.2</u>	<u>10,409.3</u>	<u>11,965.5</u>
Total	\$ <u>44,002.6</u>	\$ <u>40,510.7</u>	\$ <u>64,436.8</u>	\$ <u>62,293.2</u>	\$ <u>108,439.4</u>	\$ <u>102,803.9</u>

The following table reconciles the changes in capital assets. Included with additions are increases in construction in progress balances.

Change in Capital Assets (In Thousand's)

	Governmental Activities	Business Type Activities	Total
Beginning Balance	\$ 40,510.7	\$ 62,293.2	\$ 102,803.9
Additions, net of disposals	6,857.8	5,638.1	12,495.9
Depreciation, net of disposals	<u>3,365.9</u>	<u>3,494.5</u>	<u>6,860.4</u>
Ending balance	\$ <u>44,002.6</u>	\$ <u>64,436.8</u>	\$ <u>108,439.4</u>

Debt Administration

The amount of debt outstanding at fiscal year end was \$29.7 million as compared to \$28.7 million last fiscal year. New debt issued during the year amounted to \$11.8 million, while a total of \$10.8 million was retired. Of the total debt outstanding, \$17.7 million is backed by the full faith and credit of the City. The remaining \$12 million is backed by sewer revenue.

		Outstanding Debt at Year End (In Thousand's)	
		Total	
		<u>2011</u>	<u>2010</u>
Governmental			
General obligation			
Abated by:			
Property taxes	\$	5,440.8	\$ 4,957.0
Tax increment		<u>1,169.2</u>	<u>1,173.0</u>
Subtotals		<u>6,610.0</u>	<u>6,130.0</u>
Business type			
General obligation			
Abated by:			
Events center/Sales tax		3,505.0	4,675.0
Sewer utility/Sales tax		6,562.7	7,110.9
Solid waste		675.0	900.0
Golf course/Property taxes		300.0	350.0
Sewer revenue		<u>12,060.3</u>	<u>9,552.4</u>
Subtotals		<u>23,103.0</u>	<u>22,588.3</u>
Totals	\$	<u>29,713.0</u>	\$ <u>28,718.3</u>

Moody's Investor Services has rated the City's general obligation bonds A1.

For more detailed information on the City's debt and amortization terms, please refer to pages 38 through 40 and 44 through 45 of the Notes to Financial Statements.

Economic Factors

Taxable sales increased 11% for the year.

During the current fiscal year, the unassigned fund balance in the general fund increased to \$2,649,950, an increase of \$519,543 from last year. This was due to an increase primarily in property tax revenue and charges for service.

Next Year's Budget and Rates

Taxable values increased by 8 percent which increased the general fund revenue by \$354,795. The total tax levy decreased .42 per \$1,000 or 2 percent.

Financial Information Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need financial information, please contact the Office of the Director of Finance/City Treasurer at City Hall, 105 East Third Street, Ottumwa, Iowa 52501-2904.

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Units		Total Reporting Unit
	Governmental Activities	Business Type Activities	Total Primary Government	Hazardous Materials	10-15 Transit	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 18,649,187	\$ 5,560,937	\$ 24,210,124	\$ 91,921	\$ 112,601	\$ 24,414,646
Receivables:						
Property taxes	12,575,107	469,650	13,044,757	-	-	13,044,757
Accounts	875,026	1,567,924	2,442,950	-	20,429	2,463,379
Due from other governments	1,859,599	1,028,290	2,887,889	943	142,846	3,031,678
Inventory	70,348	-	70,348	-	-	70,348
Prepaid expenses	246,845	295,580	542,425	7,018	13,453	582,896
Deposit	25,000	-	25,000	-	-	25,000
Total current assets	34,301,112	8,922,381	43,223,493	99,882	289,329	43,612,704
Noncurrent assets:						
Due from other governments	-	247,487	247,487	-	-	247,487
Capital assets:						
Land	3,532,781	1,854,376	5,387,157	-	-	5,387,157
Buildings	12,362,915	47,168,834	59,531,549	204,082	35,318	59,770,949
Improvements other than buildings	1,639,794	9,039,818	10,679,412	-	-	10,679,412
Machinery and equipment	9,867,940	9,848,826	19,716,766	200,803	3,550,199	23,467,768
Infrastructure	66,371,972	16,807,807	83,179,779	-	-	83,179,779
Construction in progress	3,020,582	7,388,775	10,409,357	-	-	10,409,357
Less accumulated depreciation	(52,793,396)	(27,901,062)	(80,694,458)	(207,354)	(2,198,109)	(83,097,921)
Intangible assets	-	761,922	761,922	-	-	761,922
Less amortization	-	(532,094)	(532,094)	-	-	(532,094)
Total noncurrent assets	44,002,588	64,684,289	108,686,877	197,531	1,389,408	110,273,816
TOTAL ASSETS	\$ 78,303,700	\$ 73,606,670	\$ 151,910,370	\$ 297,413	\$ 1,678,737	\$ 153,886,520
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 3,368,147	\$ 404,362	\$ 3,772,509	\$ 377	\$ 57,698	\$ 3,830,584
Excess of outstanding checks over bank balance	38,695	-	38,695	-	-	38,695
Wages and benefits payable	300,300	77,600	378,100	-	30,300	408,400
Due to other governments	-	84,423	84,423	-	105,625	190,048
Accrued interest payable	35,758	45,428	81,186	-	-	81,186
Unearned property tax revenue	12,278,724	459,957	12,738,681	-	-	12,738,681
Unearned revenue	287,673	-	287,673	3,579	-	291,252
General obligation bonds/notes	2,542,500	3,763,019	6,305,519	-	-	6,305,519
Compensated absences	585,891	114,344	700,235	-	5,383	705,618
Total current liabilities	19,437,688	4,949,333	24,387,021	3,956	199,006	24,589,983
Long-term liabilities:						
General obligation bonds/notes	4,067,500	19,339,972	23,407,472	-	-	23,407,472
Compensated absences	72,033	-	72,033	-	-	72,033
Accrued landfill costs:						
Closure	-	1,208,287	1,208,287	-	-	1,208,287
Post closure	-	1,118,714	1,118,714	-	-	1,118,714
Due to other governments	-	84,423	84,423	-	105,625	190,048
Other post employment benefits obligation	1,013,662	320,103	1,333,765	-	-	1,333,765
Total long-term liabilities	5,153,195	22,071,499	27,224,694	-	105,625	27,330,319
TOTAL LIABILITIES	24,590,883	27,020,832	51,611,715	3,956	304,631	51,920,302
NET ASSETS:						
Investment in capital assets, net of related debt	37,392,588	41,333,811	78,726,399	197,531	1,389,408	80,313,338
Restricted for:						
Nonexpendable:						
Endowments	102,370	-	102,370	-	-	102,370
Perpetual care	643,313	-	643,313	-	-	643,313
Expendable:						
Endowments	30,300	-	30,300	-	-	30,300
Perpetual care	7,378	-	7,378	-	-	7,378
Debt service	315,684	95,000	410,684	-	-	410,684
Unrestricted	15,221,184	5,157,027	20,378,211	95,926	(15,302)	20,458,835
TOTAL NET ASSETS	\$ 53,712,817	\$ 46,585,838	\$ 100,298,655	\$ 293,457	\$ 1,374,106	\$ 101,986,218

CITY OF OTTUMWA, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,454,274	\$ 1,824,725	\$ 53,033	\$ -
Public safety	7,878,183	897,818	541,506	60,952
Public services	7,865,260	4,060,327	2,326,907	1,299,250
Culture and recreation	2,606,646	853,557	33,046	299,065
Community development	1,672,293	76,440	100,000	401,635
Interest on long-term debt	472,162	-	-	-
Total governmental activities	<u>22,948,818</u>	<u>7,712,867</u>	<u>3,054,492</u>	<u>2,060,902</u>
Business-type activities:				
Solid waste	2,117,772	2,418,937	35,113	24,498
Sewer utility	5,866,171	5,722,755	742,676	810,953
Events center	1,684,426	745,708	-	-
Other business-type activities	1,580,369	203,363	501,930	188,000
Total business-type activities	<u>11,248,738</u>	<u>9,090,763</u>	<u>1,279,719</u>	<u>1,023,451</u>
Total primary government	\$ <u>34,197,556</u>	\$ <u>16,803,630</u>	\$ <u>4,334,211</u>	\$ <u>3,084,353</u>
Component units:				
Hazardous materials	\$ 176,957	\$ 4,800	\$ 143,604	\$ -
10-15 transit	2,317,057	945,080	624,882	277,533
Total component units	\$ <u>2,494,014</u>	\$ <u>949,880</u>	\$ <u>768,486</u>	\$ <u>277,533</u>
General revenues:				
Taxes:				
Property taxes				
Local option taxes				
Other taxes				
Unrestricted investment income				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - Beginning of year				
Net assets - End of year				

Governmental Activities	Primary Government		Component Units		Total Reporting Unit
	Business-type Activities	Total	Hazardous Materials	10-15 Transit	
\$ (576,516)	\$ -	\$ (576,516)	\$ -	\$ -	\$ (576,516)
(6,377,907)	-	(6,377,907)	-	-	(6,377,907)
(178,776)	-	(178,776)	-	-	(178,776)
(1,420,978)	-	(1,420,978)	-	-	(1,420,978)
(1,094,218)	-	(1,094,218)	-	-	(1,094,218)
(472,162)	-	(472,162)	-	-	(472,162)
<u>(10,120,557)</u>	<u>-</u>	<u>(10,120,557)</u>	<u>-</u>	<u>-</u>	<u>(10,120,557)</u>
-	360,776	360,776	-	-	360,776
-	1,410,213	1,410,213	-	-	1,410,213
-	(938,718)	(938,718)	-	-	(938,718)
<u>-</u>	<u>(687,076)</u>	<u>(687,076)</u>	<u>-</u>	<u>-</u>	<u>(687,076)</u>
<u>-</u>	<u>145,195</u>	<u>145,195</u>	<u>-</u>	<u>-</u>	<u>145,195</u>
<u>(10,120,557)</u>	<u>145,195</u>	<u>(9,975,362)</u>	<u>-</u>	<u>-</u>	<u>(9,975,362)</u>
-	-	-	(28,553)	-	(28,553)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(469,562)</u>	<u>(469,562)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,553)</u>	<u>(469,562)</u>	<u>(498,115)</u>
11,821,122	388,870	12,209,992	-	-	12,209,992
3,074,815	-	3,074,815	-	-	3,074,815
610,883	-	610,883	-	-	610,883
102,387	55,801	158,188	837	2,587	161,612
48,459	-	48,459	20	30,358	78,837
<u>(2,036,137)</u>	<u>2,036,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>13,621,529</u>	<u>2,480,808</u>	<u>16,102,337</u>	<u>857</u>	<u>32,945</u>	<u>16,136,139</u>
3,500,972	2,626,003	6,126,975	(27,696)	(436,617)	5,662,662
<u>50,211,845</u>	<u>43,959,835</u>	<u>94,171,680</u>	<u>321,153</u>	<u>1,810,723</u>	<u>96,303,556</u>
\$ <u>53,712,817</u>	\$ <u>46,585,838</u>	\$ <u>100,298,655</u>	\$ <u>293,457</u>	\$ <u>1,374,106</u>	\$ <u>101,966,218</u>

CITY OF OTTUMWA, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

ASSETS	General	Special Revenue			
		State Road Use Tax	Tax Increment Financing	Local Option Sales Tax	Employee Benefits
Cash and cash equivalents	\$ 2,740,438	\$ 2,067,491	\$ 10,588	\$ 1,580,582	\$ 523,019
Receivables:					
Property taxes	4,522,730	-	950,061	-	4,213,211
Accounts	521,111	10,325	-	-	-
Other governments	55,449	13,803	-	467,742	-
Due from other funds	3,686	-	-	-	-
Inventory	3,385	37,797	-	-	-
Prepaid Insurance	-	-	-	-	-
Deposit	-	-	-	-	-
TOTAL ASSETS	\$ 7,846,799	\$ 2,129,416	\$ 960,649	\$ 2,048,324	\$ 4,736,230
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 273,808	\$ 827,485	\$ 9,738	\$ -	\$ -
Excess of outstanding checks over bank balance	-	-	-	-	-
Wages and benefits payable	232,700	40,600	-	-	-
Unearned property tax revenue	4,413,603	-	930,020	-	4,118,316
Deferred revenue	16,138	-	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	4,936,249	868,085	939,758	-	4,118,316
FUND BALANCES:					
Nonspendable	3,385	37,797	-	-	-
Restricted	-	1,223,534	20,891	2,048,324	617,914
Assigned	257,215	-	-	-	-
Unassigned	2,649,950	-	-	-	-
TOTAL FUND BALANCES	2,910,550	1,261,331	20,891	2,048,324	617,914
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,846,799	\$ 2,129,416	\$ 960,649	\$ 2,048,324	\$ 4,736,230

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 266,965	\$ 8,783,397	\$ 15,972,480
1,947,792	941,313	12,575,107
-	343,590	875,026
-	797,597	1,334,591
-	-	3,686
-	29,166	70,348
-	197,562	197,562
-	25,000	25,000
<u>\$ 2,214,757</u>	<u>\$ 11,117,625</u>	<u>\$ 31,053,800</u>
\$ -	\$ 1,488,664	\$ 2,599,695
-	38,695	38,695
-	27,000	300,300
1,899,073	917,712	12,278,724
-	246,552	262,690
-	3,686	3,686
<u>1,899,073</u>	<u>2,722,309</u>	<u>15,483,790</u>
-	972,411	1,013,593
315,684	7,422,905	11,649,252
-	-	257,215
-	-	2,649,950
<u>315,684</u>	<u>8,395,316</u>	<u>15,570,010</u>
<u>\$ 2,214,757</u>	<u>\$ 11,117,625</u>	<u>\$ 31,053,800</u>

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

Exhibit 4

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total governmental fund balances	\$ 15,570,010
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$96,795,984 and the accumulated depreciation is \$52,793,396.	44,002,588
Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The assets and liabilities of the Internal Service funds are included in the statement of net assets.	2,211,215
Certain assets are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds balance sheet.	525,008
Certain liabilities are not required to be paid for with current period expenditures and, therefore, are not reported as liabilities in the governmental funds balance sheet.	(22,927)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(35,758)
Amounts paid and reported as expenses in the current fiscal year, but are reported as prepaid expenses in the statement of net assets.	49,283
Amounts received and reported as revenues in the current fiscal year, but are reported as unearned revenue in the statement of net assets.	(24,983)
Amounts due from and due to component units and due from proprietary funds as a result of internal service fund allocations related to the employee insurance fund.	(280,033)
Long-term liabilities, including bonds/notes payable, compensated absences payable and other post employment benefits obligation, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(8,281,586)</u>
Net assets of governmental activities	\$ <u>53,712,817</u>

CITY OF OTTUMWA, IOWA
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

		Special Revenue			
	General	State Road Use Tax	Tax Increment Financing	Local Option Sales Tax	Employee Benefits
REVENUES:					
Property tax	\$ 4,174,359	\$ -	\$ 931,202	\$ -	\$ 3,807,018
Other city tax	610,883	-	-	3,074,815	-
Licenses and permits	303,609	-	-	-	-
Intergovernmental	651,318	2,412,354	-	100,000	-
Use of money and property	122,004	86	-	-	5,348
Charges for service	3,639,219	678,893	-	-	-
Other fines	340,286	-	-	-	-
Miscellaneous	31,602	9,226	-	-	-
Total revenues	<u>9,873,280</u>	<u>3,100,559</u>	<u>931,202</u>	<u>3,174,815</u>	<u>3,812,366</u>
EXPENDITURES:					
Operating:					
Public safety	6,389,629	-	-	-	-
Public works	1,725,072	4,108,333	-	-	-
Health and social services	471,721	-	-	-	-
Culture and recreation	1,127,324	-	-	-	-
Community and economic development	390,720	-	122,134	-	-
General government	1,146,899	-	-	-	-
Bond issue costs	-	-	-	-	-
Capital outlay	111,466	197,900	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>11,362,831</u>	<u>4,306,233</u>	<u>122,134</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,489,551)</u>	<u>(1,205,674)</u>	<u>809,068</u>	<u>3,174,815</u>	<u>3,812,366</u>
Other financing sources (uses):					
Transfers in	2,786,788	1,673,876	-	-	-
Transfers out	(524,713)	(382,248)	(1,703,781)	(3,184,831)	(4,016,741)
General obligation bonds issued	-	-	695,542	-	-
Refunding bond payments	-	-	-	-	-
Total other financing sources (uses)	<u>2,262,075</u>	<u>1,291,628</u>	<u>(1,008,239)</u>	<u>(3,184,831)</u>	<u>(4,016,741)</u>
Net change in fund balances	772,524	85,954	(199,171)	(10,016)	(204,375)
Fund balances - Beginning of year	<u>2,138,026</u>	<u>1,175,377</u>	<u>220,062</u>	<u>2,058,340</u>	<u>822,289</u>
Fund balances - End of year	<u>\$ 2,910,550</u>	<u>\$ 1,261,331</u>	<u>\$ 20,891</u>	<u>\$ 2,048,324</u>	<u>\$ 617,914</u>

See Accompanying Notes to Financial Statements

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,961,684	\$ 946,859	\$ 11,821,122
-	-	3,685,698
-	-	303,609
-	1,951,722	5,115,394
-	508,719	636,157
-	808,203	5,126,315
-	-	340,286
-	918,912	959,740
<u>1,961,684</u>	<u>5,134,415</u>	<u>27,988,321</u>
-	946,790	7,336,419
-	749,405	6,582,810
-	69,438	541,159
-	1,402,089	2,529,413
-	574,559	1,087,413
-	1,261,563	2,408,462
69,097	-	69,097
-	5,086,465	5,395,831
<u>3,707,058</u>	<u>-</u>	<u>3,707,058</u>
<u>3,776,155</u>	<u>10,090,309</u>	<u>29,657,662</u>
<u>(1,814,471)</u>	<u>(4,955,894)</u>	<u>(1,669,341)</u>
2,528,292	2,320,677	9,309,633
(1,380,000)	(211,190)	(11,403,504)
5,358,683	2,369,768	8,423,993
<u>(4,640,000)</u>	<u>-</u>	<u>(4,640,000)</u>
<u>1,866,975</u>	<u>4,479,255</u>	<u>1,690,122</u>
52,504	(476,639)	20,781
<u>263,180</u>	<u>8,871,955</u>	<u>15,549,229</u>
\$ <u>315,684</u>	\$ <u>8,395,316</u>	\$ <u>15,570,010</u>

CITY OF OTTUMWA, IOWA

Exhibit 6

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE, 30, 2011

Net change in fund balances - Total governmental funds \$ 20,781

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	9,239,127
Depreciation expense	(3,392,531)

Expenses in the statement of revenues, expenditures and changes in fund balances shown as prepaid expenses or construction in progress in the statement of activities. (2,352,555)

Revenues in the statement of revenues, expenditures and changes in fund balances shown as unearned revenue in the statement of activities. (16,113)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. 49,011

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the State of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (480,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	19,831
Other postemployment benefits	(100,862)
Interest on long-term debt	(2,594)
Other	(5,565)

Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities and component units. 522,442

Change in net assets of governmental activities \$ 3,500,972

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

Exhibit 7

ASSETS	Business-Type Activities					Governmental Activities
	Solid Waste	Sewer Utility	Events Center	Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Funds
Current assets:						
Cash and cash equivalents	\$ 1,743,721	\$ 3,454,334	\$ 296,849	\$ 66,033	\$ 5,560,937	\$ 2,676,707
Receivables:						
Accounts	382,612	926,838	-	2,609	1,311,859	-
Property taxes	-	-	79,101	390,549	469,650	-
Due from other governments	1,750	759,379	-	267,161	1,028,290	-
Prepaid expenses	19,353	51,540	170,412	54,285	295,580	-
Total current assets	2,147,446	5,191,691	546,362	780,617	8,660,316	2,676,707
Noncurrent assets:						
Due from other governments	-	247,487	-	-	247,487	-
Capital assets:						
Land	87,500	42,228	1,644,648	80,000	1,854,376	-
Buildings	1,195,103	23,880,701	20,655,017	1,437,813	47,168,634	-
Improvements other than buildings	4,272,037	3,724,055	149,964	693,562	9,039,618	-
Machinery and equipment	2,766,607	2,725,160	872,394	3,494,665	9,848,826	-
Infrastructure	-	16,505,607	302,000	-	16,807,607	-
Construction in progress	12,810	7,375,965	-	-	7,388,775	-
Less accumulated depreciation	(6,114,304)	(18,892,663)	(2,794,743)	(3,099,352)	(27,901,052)	-
Total capital assets	3,209,753	37,361,253	20,829,280	2,806,688	64,206,974	-
Other assets:						
Intangible assets	-	361,822	400,000	-	761,922	-
Less accumulated amortization	-	(172,094)	(360,000)	-	(532,094)	-
Total other assets	-	189,828	40,000	-	229,828	-
Total noncurrent assets	3,209,753	37,551,081	20,869,280	2,806,688	64,436,802	-
TOTAL ASSETS	\$ 5,357,199	\$ 42,990,459	\$ 21,415,642	\$ 3,587,305	\$ 73,350,605	\$ 2,676,707
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 97,854	\$ 237,274	\$ -	\$ 69,234	\$ 404,362	\$ 465,492
Wages and benefits payable	17,300	40,100	-	20,400	77,800	-
Due to other governments	-	-	-	84,423	84,423	-
Accrued interest payable	1,609	43,819	-	-	45,428	-
Compensated absences payable	39,806	64,110	-	10,428	114,344	-
Unearned property tax revenue	-	-	79,101	380,853	459,957	-
Current portion of bonds payable	-	-	1,145,000	122,500	1,267,500	-
Current portion of notes payable	225,000	2,270,519	-	-	2,495,519	-
Total current liabilities	381,569	2,655,822	1,224,101	687,841	4,949,333	465,492
Long-term liabilities:						
Accrued landfill costs:						
Closure	1,208,287	-	-	-	1,208,287	-
Post closure	1,118,714	-	-	-	1,118,714	-
Due to other governments	-	-	-	84,423	84,423	-
Other post employment benefits obligation	65,941	194,943	-	59,219	320,103	-
Bonds payable:						
Long-term	-	-	2,360,000	177,500	2,537,500	-
Notes payable:						
Long-term	450,000	16,362,472	-	-	16,802,472	-
Total long-term liabilities	2,842,942	16,547,415	2,360,000	321,142	22,071,499	-
TOTAL LIABILITIES	3,224,511	19,203,237	3,584,101	1,008,983	27,020,832	465,492
NET ASSETS:						
Investment in capital assets, net of related debt	2,534,753	18,928,090	17,364,280	2,506,688	41,333,811	-
Restricted for:						
Health insurance	-	-	-	-	-	1,587,442
Debt service	-	95,000	-	-	95,000	-
Unrestricted	(402,065)	4,784,132	467,281	71,634	4,900,962	613,773
TOTAL NET ASSETS	2,132,688	23,787,222	17,831,541	2,578,322	46,329,773	2,211,215
TOTAL LIABILITIES AND NET ASSETS	\$ 5,357,199	\$ 42,990,459	\$ 21,415,642	\$ 3,587,305	\$ 73,350,605	\$ 2,676,707

CITY OF OTTUMWA, IOWA

Exhibit 8

RECONCILIATION OF THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Ending fund balance - Proprietary funds \$ 46,329,773

Amounts reported for business-type activities in the statement of net assets are different because:

Allocation of internal service funds income decreases due to other funds 256,065

Net assets of business-type activities \$ 46,585,838

CITY OF OTTUMWA, IOWA

Exhibit 9

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business-Type Activities					Governmental Activities
	Solid Waste	Sewer Utility	Events Center	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:						
Charges for service	\$ 2,383,049	\$ 5,540,383	\$ 732,960	\$ 164,672	\$ 8,821,064	\$ 2,996,804
Miscellaneous	<u>9,169</u>	<u>107,825</u>	<u>12,748</u>	<u>20,566</u>	<u>150,298</u>	<u>-</u>
Total operating revenues	<u>2,392,218</u>	<u>5,648,208</u>	<u>745,708</u>	<u>185,228</u>	<u>8,971,362</u>	<u>2,996,804</u>
Operating expenses:						
Operations	1,592,575	3,553,418	1,054,229	1,117,948	7,318,170	2,412,906
Depreciation/amortization	<u>525,197</u>	<u>1,971,898</u>	<u>630,197</u>	<u>482,421</u>	<u>3,589,713</u>	<u>-</u>
Total operating expenses	<u>2,117,772</u>	<u>5,525,316</u>	<u>1,684,426</u>	<u>1,580,369</u>	<u>10,907,883</u>	<u>2,412,906</u>
Operating income (loss)	274,446	122,892	(938,718)	(1,395,141)	(1,936,521)	583,898
Nonoperating revenue (expense):						
Interest income	14,949	37,107	2,428	1,317	55,801	13,762
Interest on long-term debt	-	(340,855)	-	-	(340,855)	-
Property taxes	-	-	-	388,870	388,870	-
Intergovernmental	<u>35,113</u>	<u>742,676</u>	<u>-</u>	<u>501,930</u>	<u>1,279,719</u>	<u>-</u>
Total nonoperating revenue (expense)	<u>50,062</u>	<u>438,928</u>	<u>2,428</u>	<u>892,117</u>	<u>1,383,535</u>	<u>13,762</u>
Income (loss) before other financing sources (uses)	324,508	561,820	(936,290)	(503,024)	(552,986)	597,660
Other financing sources (uses):						
Capital contributions and grants	24,498	810,953	-	188,000	1,023,451	-
Transfers in	-	8,671,677	1,460,788	50,000	10,182,465	367,100
Transfers out	<u>(24,038)</u>	<u>(8,122,290)</u>	<u>-</u>	<u>-</u>	<u>(8,146,328)</u>	<u>(309,366)</u>
Total other financing sources (uses)	<u>460</u>	<u>1,360,340</u>	<u>1,460,788</u>	<u>238,000</u>	<u>3,059,588</u>	<u>57,734</u>
Change in net assets	324,968	1,922,160	524,498	(265,024)	2,508,602	655,394
Net assets - Beginning of year	<u>1,807,720</u>	<u>21,865,062</u>	<u>17,307,043</u>	<u>2,843,346</u>	<u>43,823,171</u>	<u>1,555,821</u>
Net assets - End of year	\$ <u>2,132,688</u>	\$ <u>23,787,222</u>	\$ <u>17,831,541</u>	\$ <u>2,578,322</u>	\$ <u>46,329,773</u>	\$ <u>2,211,215</u>

CITY OF OTTUMWA, IOWA

Exhibit 10

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE, 30, 2011

Change in net assets - Total business-type funds \$ 2,506,602

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The change in net assets of the Internal Service Funds is reported with business-type activities net of the amount allocated to governmental activities and component units.

119,401

Change in net assets of business-type activities \$ 2,626,003

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Solid Waste	Sewer Utility	Events Center
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 2,188,304	\$ 5,980,175	\$ 745,708
Cash paid to employees	(648,539)	(1,481,524)	-
Cash paid to suppliers	(924,819)	(2,178,600)	(1,418,876)
Cash used in operations	(1,573,358)	(3,660,124)	(1,418,876)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	614,946	2,320,051	(673,168)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	-	-	-
Intergovernmental	38,956	118,560	-
Transfers from other funds	-	8,671,677	1,460,788
Transfers to other funds	(24,038)	(8,122,290)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	14,918	667,947	1,460,788
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Issuance of long-term debt	-	3,510,737	4,640,000
Payment of long-term debt:			
General obligation bonds	(225,000)	(554,000)	(5,810,000)
Notes payable	-	(997,000)	-
Payment of interest on long-term debt	(535)	(335,559)	-
Additions to property and equipment	(165,619)	(5,556,044)	(5,424)
Capital contributions and grants	24,498	810,953	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(366,656)	(3,120,913)	(1,175,424)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	14,949	37,107	2,428
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	278,157	(95,808)	(385,376)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year	1,465,564	3,550,142	682,225
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ 1,743,721	\$ 3,454,334	\$ 296,849
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	\$ 274,446	\$ 122,892	\$ (938,718)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	525,197	1,971,898	630,197
Changes in assets and liabilities:			
Decrease (increase) in receivables	(203,914)	331,967	-
Decrease (increase) in prepaid expenses	(794)	814	(170,412)
Increase (decrease) in accounts payable	7,755	(151,395)	(194,235)
Decrease in excess of outstanding checks over bank balance	-	-	-
Increase in wages and benefits payable	1,800	5,800	-
Increase (decrease) in compensated absences payable	682	9,179	-
Increase in other post employment benefits	9,774	28,896	-
Increase in due to other governments	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 614,946	\$ 2,320,051	\$ (673,168)

Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
\$ 187,363	\$ 9,101,550	\$ 3,010,678
(700,315)	(2,830,378)	-
(211,783)	(4,734,078)	(2,379,555)
(912,098)	(7,564,456)	(2,379,555)
(724,735)	1,537,094	631,123
388,781	388,781	-
339,750	497,266	-
50,000	10,182,465	367,100
-	(8,146,328)	(309,366)
778,531	2,922,184	57,734
300,000	8,450,737	-
(350,000)	(6,939,000)	-
-	(997,000)	-
-	(336,094)	-
(253,711)	(5,980,798)	-
188,000	1,023,451	-
(115,711)	(4,778,704)	-
1,317	55,801	13,762
(60,598)	(263,625)	702,619
126,631	5,824,562	1,974,088
\$ 66,033	\$ 5,560,937	\$ 2,676,707
\$ (1,395,141)	\$ (1,936,521)	\$ 583,898
462,421	3,589,713	-
2,135	130,188	-
(24,830)	(195,222)	-
59,025	(278,850)	47,225
(6,312)	(6,312)	-
4,880	12,480	-
(4,537)	5,324	-
8,778	47,448	-
168,846	168,846	-
\$ (724,735)	\$ 1,537,094	\$ 631,123

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ottumwa, Iowa is a political subdivision of the State of Iowa located in Wapello County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council members elected on a non-partisan basis. The City provides numerous services to its citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates an airport, a water recreation park, a mass transportation system, a wide range of parks and recreational facilities and sewer and sanitation utilities.

The financial statements of the City of Ottumwa, Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the City of Ottumwa, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Ottumwa, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City handles the cash management and financial reporting of the two component units. In addition, city employees perform the duties at the direction of the respective boards.

Discretely Presented Component Units: The component units' columns in the government-wide financial statements include the financial data of the City's component units. They are each reported in separate columns to emphasize that they are legally separate from the City. Separate financial statements of these two component units may be obtained from the City's finance department.

Hazardous Materials: The Hazardous Materials component unit includes all operations of the Hazardous Materials response team operated by the Ottumwa Fire Department, under the authority of the Southeast Iowa Response Group Board consisting of eleven county supervisors from Wapello County and ten nearby counties. The elected City officials are financially accountable for the organization. The City handles all of the accounting, budgeting, payroll, treasury management and administrative functions for the organization.

10-15 Transit: The 10-15 Transit component unit operates the bus service to various agencies and individuals provided in the ten county Area 15 under the authority of the 10-15 Transit Board consisting of ten county supervisors from Wapello County and nine surrounding counties. The elected City officials are financially accountable for the organization. The City handles all of the accounting, budgeting, payroll, treasury management and administrative functions for the organization.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and capital improvement costs not paid from other funds.

Special Revenue:

State Road Use Tax – to account for State Road Use Tax allocated to the City to be used to maintain and improve the City streets.

Tax Increment Financing – tax increment financing for the Westgate Economic Development Urban Renewal Project Area and Airport Urban Renewal Project Area.

Local Option Sales Tax – to account for the 1% sales tax.

Employee Benefits – to account for property taxes assessed for employee benefits.

Debt Service – to account for the payment of interest and principal on the City's general long-term debt.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The City reports the following major proprietary funds:

Enterprise:

Solid Waste – to account for the operation and maintenance of the recycling center and Ottumwa-Wapello County Landfill Facility.

Sewer Utility – to account for the operation and maintenance of the sanitary sewer treatment plant, collection lines and debt service on revenue bonds.

Events Center – to account for the operation and maintenance of the Bridge View Events Center facility (a Vision Iowa project).

Measurement Focus and Basis of Accounting

The Government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

General Fund

The General Fund accounts for the financial resources of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, state shared revenues, licenses and permits and charges for services. Primary expenditures are for police and fire protection, general administration and parks.

Special Revenue Funds

Special Revenue Funds account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. Funds included in this category are:

State Road Use Tax - to account for State Road Use Tax allocated to the City to be used to maintain and improve the City streets.

Tax Increment Financing - tax increment financing for the Westgate Economic Development Urban Renewal Project Area and Airport Urban Renewal Project Area.

Local Option Sales Tax - to account for the 1% sales tax.

Employee Benefits - to account for property taxes assessed for employee benefits.

Airport - to account for all operations of the regional airport under guidance of the Airport Advisory Board.

Emergency - to account for the special 27¢ tax levy.

Library - to account for all operations of the Public Library under guidance of the Library Board.

Cemetery - to account for operations of the Ottumwa, Calvary and Jewish Cemeteries under guidance of the Cemetery Board of Trustees.

Block Grants - to account for monies received to rehabilitate and maintain declining areas.

Risk Management - to account for the City's property and casualty insurance coverage, and Iowa Code Chapter 411 medical coverage for fire fighters and police officers.

Fire Bequest - to account for donations and grants received to purchase items for the Fire Department.

Retiree Health Insurance - to account for medical and life insurance costs of City retirees.

Library Bequest - to account for donations to the Library designated for purposes other than general operations.

Park Bequest - to account for donations, grants and expenses of the Trees Forever Committee.

Police Bequest - to account for donations and service fees to the Police Department designated for purposes other than general operations.

Historic Preservation - to account for grants and related items with or concerning the Historic Preservation Commission.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types (Continued)

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition and construction of capital facilities and other fixed assets with the exception of those that are financed by special assessments or by enterprise fund monies. Capital projects for enterprise fund activities are accounted for in the Capital Projects Funds when these projects are financed through the issuance of general obligation bonds, revenue bonds, intergovernmental revenues or major private donations.

Sidewalks - to account for bonds issued, assessments and construction costs for sidewalks assessed to property owners.

Airport Projects - to account for airport improvements.

Street Projects - to account for bond proceeds and construction costs of street projects.

Park Projects - to account for bond proceeds, donations and grants for construction of recreation trails and other park projects.

Other Bond Projects - to account for monies received for miscellaneous development projects.

Levee Repairs - to account for bond proceeds for levee repair projects.

Debt Service Fund

Debt Service Fund accounts for the payment of principal and interest on the City's general obligation debt.

Permanent Funds:

Cemetery Perpetual Care - to account for the collection of a portion of cemetery lot sales designated for perpetual care.

Cemetery Memorial - to account for the collection of contributions for floral decoration on lots, Fry bequests and Hall bequests.

Proprietary Fund Types

Enterprise Funds

Enterprise Funds are used to account for operations which are intended to be self-supporting primarily through user charges. Included in this category are:

Solid Waste - to account for the operation and maintenance of the recycling center and Ottumwa-Wapello County Landfill facility.

Sewer Utility - to account for the operation and maintenance of the sanitary sewer treatment plant, collection lines and debt service on revenue bonds.

Events Center - to account for the operation and maintenance of the Bridge View Events Center facility.

Transit - to account for the operation of the City Public Transit System.

Golf Course - to account for the operation and maintenance of the Cedar Creek Golf Course.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types (Continued)

Internal Service Funds

Internal Service Funds are used to account for the operation of the Payroll Clearing, Equipment Purchasing and Employee Insurance funds. Charges are made to other City departments to support these activities, including equipment replacement.

Budgets and Budgetary Accounting

As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget.

Deposits and Investments

The City maintains a cash and investment pool to maximize investment opportunities. Income from investments purchased with pooled cash is allocated to individual funds based on the fund's average cash balance and legal requirements. Each fund's portion of total cash and investments is reported as such within this report.

The City's deposits, in banks, at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Cash and pooled investments are considered "cash and cash equivalents" for statement of cash flows purposes even though they may still be subject to credit risk, concentration risk, or custodial credit risk. Certificates of deposit and U.S. Treasury Bills with maturities in excess of 397 days are considered investments for statement of cash flows purposes. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value.

Receivables

The City has recorded several types of receivables on its balance sheet from sources around the State of Iowa, including the state and federal governments, through grant agreements. The risk of loss on receivables is the balance owed at the time of default. No allowance for bad debts is considered necessary.

Property Tax Receivable, Including Tax Increment Financing

Property tax, including tax increment financing in Governmental and Proprietary Funds is accounted for using the accrual basis of accounting.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Receivable, Including Tax Increment Financing (Continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2010.

Customer Accounts and Unbilled Usage

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. It consists of parts and supplies in the Central Garage and merchandise and concessions at The Beach Ottumwa, and fuel at the Airport. Inventories are recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and other improvements	\$ 25,000
Intangibles	5,000
Machinery, equipment and vehicles	5,000
Infrastructure	25,000

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets of the City are depreciated/amortized using the straight line method over the following estimated useful lives:

Buildings	15 to 50 Years
Other improvements	8 to 50 Years
Intangibles	5 to 20 Years
Vehicles	5 to 15 Years
Other equipment	5 to 20 Years
Infrastructure	15 to 30 Years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City intends to use for specific purposes; intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned – All amounts not included in other spendable classifications.

The City would typically use Restricted fund balances first, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the Governmental Fund Types.

Nonrecurring or nonroutine transfers of equity between funds are recorded as equity transfers and, accordingly, are reported as additions or deductions from balances of Governmental Fund Types.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Additions/ Transfers In	Deletions/ Transfers Out	Balance End of Year
Governmental Activities:				
By type:				
Capital assets not being depreciated:				
Land	\$ 3,532,781	\$ -	\$ -	\$ 3,532,781
Construction in progress	5,375,327	5,148,093	7,502,838	3,020,582
Total capital assets not being depreciated	8,908,108	5,148,093	7,502,838	6,553,363
Capital assets being depreciated:				
Buildings	11,701,813	661,102	-	12,362,915
Improvements other than buildings	1,596,092	43,702	-	1,639,794
Machinery and equipment	8,683,037	1,211,460	26,557	9,867,940
Infrastructure	59,049,109	7,322,863	-	66,371,972
	81,030,051	9,239,127	26,557	90,242,621
Less accumulated depreciation:				
Buildings	(8,446,145)	(292,613)	-	(8,738,758)
Improvements other than buildings	(839,652)	(95,853)	-	(935,505)
Machinery and equipment	(6,942,438)	(703,177)	(26,557)	(7,619,058)
Infrastructure	(33,199,187)	(2,300,888)	-	(35,500,075)
	(49,427,422)	(3,392,531)	(26,557)	(52,793,396)
Total capital assets being depreciated, net	31,602,629	5,846,596	-	37,449,225
Governmental activities capital assets, net	\$ 40,510,737	\$ 10,994,689	\$ 7,502,838	\$ 44,002,588
By function and activity:				
General government:				
City clerk	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	229,244	-	-	229,244
City hall	3,132,603	51,783	-	3,184,386
Risk management	1,537	-	1,537	-
Public information	47,099	-	-	47,099
Total general government	3,420,856	51,783	1,537	3,471,102
Public safety:				
Police	1,044,613	155,241	-	1,199,854
Fire	2,863,310	261,600	-	3,124,910
Health and inspection	124,027	22,588	-	146,615
Animal control	26,287	-	-	26,287
Total public safety	4,058,237	439,429	-	4,497,666
Highways and streets:				
Traffic maintenance	484,036	5,100	-	489,136
Electric/traffic light maintenance	423,395	-	-	423,395
Engineering	103,548	6,500	-	110,048
Street maintenance	2,473,676	243,858	-	2,717,534
Snow/ice maintenance	149,765	19,907	-	169,672
Street cleaning	453,848	-	-	453,848
Street projects (including sidewalks)	37,699,162	1,826,919	-	39,526,081
Parking	1,303,092	-	-	1,303,092
Total highways and streets	\$ 43,090,522	\$ 2,102,284	\$ -	\$ 45,192,806

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance End of Year</u>
<u>By function and activity: (Continued)</u>				
Culture and recreation:				
Library	1,478,329	448,382	-	1,926,711
Parks	2,225,882	100,311	25,020	2,301,173
Senior citizens center	131,316	-	-	131,316
The Beach	3,662,511	440,057	-	4,102,568
Trails	484,883	209,015	-	693,898
Total culture and recreation	<u>7,982,921</u>	<u>1,197,765</u>	<u>25,020</u>	<u>9,155,666</u>
 Cemetery	 <u>702,123</u>	 <u>24,909</u>	 <u>-</u>	 <u>727,032</u>
 Airport	 <u>10,978,916</u>	 <u>5,422,957</u>	 <u>-</u>	 <u>16,401,873</u>
 Construction in progress	 <u>5,375,327</u>	 <u>5,148,093</u>	 <u>7,502,838</u>	 <u>3,020,582</u>
 Levee	 <u>168,580</u>	 <u>-</u>	 <u>-</u>	 <u>168,580</u>
 TIF projects	 <u>11,905,594</u>	 <u>-</u>	 <u>-</u>	 <u>11,905,594</u>
 Downtown Step One	 <u>275,163</u>	 <u>-</u>	 <u>-</u>	 <u>275,163</u>
 Land - No designation	 <u>1,979,920</u>	 <u>-</u>	 <u>-</u>	 <u>1,979,920</u>
Total governmental activities	\$ <u>89,938,159</u>	\$ <u>14,387,220</u>	\$ <u>7,529,395</u>	\$ <u>96,795,984</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infra- structure	Construction In Progress	Total
By function and activity							
General government:							
City clerk	\$ -	\$ -	\$ -	10,373	\$ -	\$ -	\$ 10,373
Finance	-	-	-	229,244	-	-	229,244
City hall	-	2,976,963	-	-	207,423	-	3,184,386
Risk management	-	-	-	-	-	-	-
Public information	-	-	-	47,099	-	-	47,099
Total general government	-	2,976,963	-	286,716	207,423	-	3,471,102
Public safety:							
Police	-	-	-	1,199,854	-	-	1,199,854
Fire	-	983,243	65,291	1,965,573	110,803	-	3,124,910
Health and Inspection	-	-	-	146,615	-	-	146,615
Animal control	-	-	-	26,287	-	-	26,287
Total public safety	-	983,243	65,291	3,338,329	110,803	-	4,497,666
Highways and streets:							
Traffic maintenance	-	134,900	-	184,306	169,930	-	489,136
Electric/traffic light maintenance	-	-	-	194,105	229,290	-	423,395
Engineering	-	-	-	110,048	-	-	110,048
Street maintenance	56,240	367,120	31,900	2,262,274	-	-	2,717,534
Snow/ice maintenance	-	63,679	-	105,993	-	-	169,672
Street cleaning	-	-	-	453,848	-	-	453,848
Street projects (including sidewalks)	-	-	-	-	39,526,081	-	39,526,081
Parking	653,718	39,754	-	10,895	598,725	-	1,303,092
Total highways and streets	709,958	605,453	31,900	3,321,469	40,524,026	-	45,192,806
Culture and recreation:							
Library	-	1,486,604	104,127	300,496	35,484	-	1,926,711
Parks	-	256,957	559,346	797,543	687,327	-	2,301,173
Senior citizens center	-	-	-	-	131,316	-	131,316
The Beach	283,421	2,458,704	375,645	984,798	-	-	4,102,568
Trails	-	-	-	-	693,898	-	693,898
Total culture and recreation	283,421	4,202,265	1,039,118	2,082,837	1,548,025	-	9,155,666
Cemetery	26,000	293,393	146,032	215,416	46,191	-	727,032
Airport	372,575	3,171,342	188,873	623,173	12,045,910	-	16,401,873
Construction in progress	-	-	-	-	-	3,020,582	3,020,582
Levee	-	-	168,580	-	-	-	168,580
TIF projects	16,000	-	-	-	11,889,594	-	11,905,594
Downtown Step One	144,907	130,256	-	-	-	-	275,163
Land - No designation	1,979,920	-	-	-	-	-	1,979,920
Total governmental activities	\$ 3,532,781	\$ 12,362,915	\$ 1,639,794	\$ 9,867,940	\$ 66,371,972	\$ 3,020,582	\$ 96,795,984

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

	Balance Beginning of Year	Additions/ Transfers In	Deletions/ Transfers Out	Balance End of Year
Business type activities:				
By type:				
Capital assets not being depreciated:				
Land	\$ 1,854,376	\$ -	\$ -	\$ 1,854,376
Construction in progress	6,590,192	4,879,688	4,081,105	7,388,775
Total capital assets not being depreciated	8,444,568	4,879,688	4,081,105	9,243,151
Capital assets being depreciated/amortized:				
Buildings	44,547,197	2,621,437	-	47,168,634
Improvements other than buildings	7,038,580	2,001,038	-	9,039,618
Machinery and equipment	9,631,725	312,252	(95,151)	9,848,826
Infrastructure	16,807,807	-	-	16,807,807
Intangibles	761,922	-	-	761,922
	78,787,231	4,934,727	(95,151)	83,626,807
Less accumulated depreciation/amortization:				
Buildings	(14,052,881)	(1,288,723)	-	(15,341,404)
Improvements other than buildings	(3,198,882)	(446,177)	-	(3,645,059)
Machinery and equipment	(5,987,292)	(1,024,682)	95,151	(6,916,823)
Infrastructure	(1,267,442)	(730,334)	-	(1,997,776)
Intangibles	(432,298)	(99,798)	-	(532,094)
	(24,938,595)	(3,589,712)	95,151	(28,433,156)
Total capital assets being depreciated/amortized, net	53,848,636	1,345,015	-	55,193,651
Business type activities capital assets, net	\$ 62,293,204	\$ 6,224,703	\$ 4,081,105	\$ 64,436,802
By function and activity:				
Solid waste	\$ 8,145,628	\$ 165,619	\$ -	\$ 8,311,247
Sewer utility	42,763,872	4,509,973	(33,972)	47,239,873
Events center	24,018,599	5,424	-	24,024,023
Transit	4,169,589	253,711	(61,179)	4,362,121
Golf course	1,543,919	-	-	1,543,919
Construction in progress	6,590,192	4,879,688	(4,081,105)	7,388,775
Total business type	\$ 87,231,799	\$ 9,814,415	\$ (4,176,256)	\$ 92,869,958

	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infra- structure	Intangibles	Construction In Progress	Total
By function and activity								
Solid waste	\$ 87,600	\$ 1,195,103	\$ 4,272,037	\$ 2,756,607	\$ -	\$ -	\$ -	\$ 8,311,247
Sewer utility	42,228	23,880,701	3,724,055	2,725,160	18,506,807	361,922	-	47,239,873
Events center	1,644,048	20,655,017	149,964	872,394	302,000	400,000	-	24,024,023
Transit	-	1,282,958	-	3,099,183	-	-	-	4,362,121
Golf course	80,000	174,855	893,682	395,502	-	-	-	1,543,919
Construction in progress	-	-	-	-	-	-	7,388,775	7,388,775
Total business type assets	\$ 1,854,376	\$ 47,168,634	\$ 9,039,618	\$ 9,848,826	\$ 16,807,807	\$ 761,922	\$ 7,388,775	\$ 92,869,958

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

A summary of property, plant and equipment at June 30, 2011, was as follows:

	Business Type	Governmental Activities
Capital assets not being depreciated:		
Land	\$ 1,854,376	\$ 3,532,781
Construction in progress	7,388,775	3,020,582
Total capital assets not being depreciated	9,243,151	6,553,363
Capital assets being depreciated/amortized:		
Buildings	47,168,634	12,362,915
Improvements other than buildings	9,039,618	1,639,794
Machinery and equipment	9,848,826	9,867,940
Infrastructure	16,807,807	66,371,972
Intangibles	761,922	-
	83,626,807	90,242,621
Less accumulated depreciation/amortization	(28,433,156)	(52,793,396)
Total capital assets being depreciated/amortized, net	55,193,651	37,449,225
Total capital assets, net	\$ 64,436,802	\$ 44,002,588

Depreciation/amortization expense was charged to functions of the primary government as follows:

Government activities:	
General government	\$ 108,480
Public safety	249,464
Public services	2,142,489
Culture and recreation	325,006
Community development	567,092
Total depreciation expense - Governmental activities	\$ 3,392,531
Business type activities	
Solid waste	\$ 525,197
Sewer utility	1,971,898
Events center	630,197
Transit	416,786
Other business type activities	45,635
Total depreciation/amortization expense - Business type activities	\$ 3,589,713

Discretely presented component units:

	Balance Beginning of Year	Additions/ Transfers In	Deletions/ Transfers Out	Balance End of Year
By type:				
Capital assets not being depreciated:	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Buildings	239,400	-	-	239,400
Machinery and equipment	3,334,313	416,689	-	3,751,002
	3,573,713	416,689	-	3,990,402
Less accumulated depreciation:				
Buildings	(50,824)	(12,559)	-	(63,383)
Machinery and equipment	(1,909,095)	(430,985)	-	(2,340,080)
	(1,959,919)	(443,544)	-	(2,403,463)
Total assets being depreciated, net	1,613,794	(26,855)	-	1,586,939
Total discretely presented component units capital assets, net	\$ 1,613,794	\$ (26,855)	\$ -	\$ 1,586,939
By function and activity:				
Hazard materials	\$ 404,885	\$ -	\$ -	\$ 404,885
10-15 transit	3,168,828	416,689	-	3,585,517
Total discretely presented component units	\$ 3,573,713	\$ 416,689	\$ -	\$ 3,990,402
Depreciation expense				\$ 443,544

Total depreciation expense - Discretely presented component units

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 6,130,000	\$ 3,300,000	\$ 2,820,000	\$ 6,610,000	\$ 2,542,500
Compensated absences	677,755	572,191	597,522	657,924	585,891
Net OPEB liability	<u>912,800</u>	<u>100,862</u>	<u>-</u>	<u>1,013,662</u>	<u>-</u>
Total	\$ <u>7,720,555</u>	\$ <u>3,973,053</u>	\$ <u>3,417,522</u>	\$ <u>8,281,586</u>	\$ <u>3,128,391</u>
Business type activities:					
General obligation bonds/notes	\$ 13,035,852	\$ 4,945,823	\$ 6,939,000	\$ 11,042,675	\$ 2,092,500
Revenue notes	9,552,402	3,504,914	997,000	12,060,316	1,670,519
Compensated absences	109,020	114,344	109,020	114,344	114,344
Net OPEB liability	<u>272,655</u>	<u>47,448</u>	<u>-</u>	<u>320,103</u>	<u>-</u>
Total	\$ <u>22,969,929</u>	\$ <u>8,612,529</u>	\$ <u>8,045,020</u>	\$ <u>23,537,438</u>	\$ <u>3,877,363</u>

A summary of the annual general obligation and revenue bond/note principal and interest requirements to maturity by year is as follows:

<u>June 30,</u>	<u>General Obligations and Revenue Bonds/Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total*</u>
2012	\$ 6,305,519	\$ 766,994	\$ 7,072,513
2013	5,612,000	622,294	6,234,294
2014	4,270,000	497,834	4,767,834
2015	2,586,000	399,084	2,985,084
2016	1,974,675	331,983	2,306,658
2017	422,000	269,064	691,064
2018	436,000	256,404	692,404
2019	450,000	243,324	693,324
2020	463,000	230,106	693,106
2021	478,000	215,934	693,934
2022	494,000	201,594	695,594
2023	510,000	186,774	696,774
2024	526,000	171,703	697,703
2025	542,000	155,694	697,694
2026	561,000	139,434	700,434
2027	311,000	122,604	433,604
2028	321,000	113,442	434,442
2029	331,000	103,644	434,644
2030	342,000	93,714	435,714
2031	352,000	83,454	435,454
2032	364,000	72,993	436,993
2033	375,000	61,974	436,974
2034	387,000	50,724	437,724
2035	408,000	39,114	447,114
2036	404,797	26,894	431,691
2037	159,000	14,730	173,730
2038	164,000	9,960	173,960
2039	164,000	5,040	169,040
Total	\$ <u>29,712,991</u>	\$ <u>5,486,507</u>	\$ <u>35,199,498</u>

* Part of these payments will come from sources other than the debt service tax levy.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: LONG-TERM LIABILITIES (Continued)

The following is a summary of bond/note transactions for the year ended June 30, 2011, and details of bonds/notes payable at June 30, 2011:

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
<u>General Obligation Bonds/Notes:</u>			
General Obligation Bonds - Series 2002D	December 1, 2002	2.00-4.00%	\$ 1,100,000
General Obligation Bonds - Series 2005A	December 1, 2005	3.25-3.50	500,000
General Obligation Bonds - Series 2006	October 30, 2006	4.00	2,600,000
General Obligation Note - Series 2008A	February 1, 2008	4.25	250,000
General Obligation Note - Series 2008B	February 1, 2008	3.50	430,000
General Obligation Note - Series 2009	February 10, 2009	2.35-3.00	3,675,000
General Obligation Note - Series 2009A	March 9, 2009	1.70-2.35	1,430,000
General Obligation Bonds - Series 2011	March 3, 2011	2.00	3,600,000
<u>Proprietary Fund Debt:</u>			
General Obligation Bonds - Series 2001B	March 1, 2001	4.40-4.90	700,000
General Obligation Bonds - Series 2003	March 1, 2003	3.00-4.25	11,000,000
General Obligation Note - Clean Water Project Phase 1	October 1, 2006	3.00	4,500,000
General Obligation Note - Series 2009	February 10, 2009	2.35-3.00	1,125,000
General Obligation Note - Clean Water Project Phase 2	June 4, 2008	3.00	5,800,000
General Obligation Refunding Bond - Series 2010	August 18, 2010	2.00	4,640,000
General Obligation Bonds - Series 2011	March 3, 2011	2.00	3,600,000
Grand Total			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Paid During Year</u>	<u>Balance End of Year</u>	<u>Interest Expense</u>	<u>Accrued Interest</u>
\$ 360,000	\$ -	\$ 360,000	\$ -	\$ 12,422	\$ -
110,000	-	110,000	-	4,050	-
1,835,000	-	275,000	1,560,000	73,600	5,200
95,000	-	95,000	-	4,333	-
190,000	-	190,000	-	3,183	-
2,675,000	-	1,200,000	1,475,000	69,856	3,096
865,000	-	590,000	275,000	18,263	539
-	3,300,000	-	3,300,000	-	26,923
<u>6,130,000</u>	<u>3,300,000</u>	<u>2,820,000</u>	<u>6,610,000</u>	<u>185,707</u>	<u>35,758</u>
350,000	-	350,000	-	16,520	-
4,675,000	-	4,675,000	-	68,349	-
3,285,000	5,000	160,000	3,130,000	98,681	7,461
900,000	-	225,000	675,000	27,844	1,417
3,825,852	823	394,000	3,432,675	114,776	9,133
-	4,640,000	1,135,000	3,505,000	46,400	5,842
-	300,000	-	300,000	-	2,469
<u>13,035,852</u>	<u>4,945,823</u>	<u>6,939,000</u>	<u>11,042,675</u>	<u>372,570</u>	<u>26,322</u>
\$ <u>19,165,852</u>	\$ <u>8,245,823</u>	\$ <u>9,759,000</u>	\$ <u>17,652,675</u>	\$ <u>558,277</u>	\$ <u>62,080</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: PENSION AND RETIREMENT BENEFITS

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution rates are established by state statute. Contributions are paid out of the General Fund. The City's contributions to MFPRSI for the years ended June 30, 2011, 2010 and 2009, which met the required contribution for each year, respectively, are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2011	\$ 701,154	100%
2010	\$ 583,713	100%
2009	\$ 625,576	100%

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. Contributions are paid primarily from the following funds: General Fund, Solid Waste, Sewer Utility, Transit, Airport, Library and Cemetery. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009, which were equal to the required contribution for each year, respectively, are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2011	\$ 469,853	100%
2010	\$ 431,985	100%
2009	\$ 406,015	100%

NOTE 5: OTHER EMPLOYEE BENEFITS

All full-time City employees accumulate vacation hours for subsequent use or payment upon termination, death or retirement. The maximum vacation accumulation is limited to one and one-half (two and one-half for fire fighters) the amount earned in one year. Any unused vacation accumulation is payable upon termination, death or retirement.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: OTHER EMPLOYEE BENEFITS (Continued)

All full-time City employees accumulate sick leave hours for subsequent use. No accumulation of sick leave is payable upon termination, death or retirement, except for those employees who continue under the retirement plan in effect prior to July 1, 1990. Upon retirement, employees under this plan, receive one-half of unused sick leave, up to a maximum of \$5,000.

<u>Business Type Funds</u>	<u>Vacation</u>	<u>Sick Leave</u>	<u>Total</u>	<u>Due Within One Year</u>
<u>Enterprise Funds:</u>				
Solid waste	\$ 39,806	\$ -	\$ 39,806	\$ 39,806
Sewer utility	64,110	-	64,110	64,110
Transit	10,428	-	10,428	10,428
Total Enterprise Funds	<u>114,344</u>	<u>-</u>	<u>114,344</u>	<u>114,344</u>
<u>Governmental Funds</u>				
<u>Special Revenue Funds:</u>				
Airport	11,727	-	11,727	11,727
Library	15,672	-	15,672	15,672
Cemetery	6,690	-	6,690	6,690
Block grants	2,226	-	2,226	2,226
State road use tax	69,619	5,500	75,119	75,119
Total Special Revenue Funds	105,934	5,500	111,434	111,434
<u>General</u>	<u>541,490</u>	<u>5,000</u>	<u>546,490</u>	<u>474,457</u>
Total Governmental Funds	<u>647,424</u>	<u>5,000</u>	<u>657,924</u>	<u>585,891</u>
Total – All funds	\$ <u>761,768</u>	\$ <u>10,500</u>	\$ <u>772,268</u>	\$ <u>700,235</u>

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer health care plan which provides health, dental and life benefits to retirees and their spouses participating until death with surviving spouse benefits. There are 43 active and 143 retired members in the plan. The plan does not issue a stand alone financial report nor is it included in the report of another entity.

All employees hired before February 22, 1993 with twenty years of service are eligible for post-retirement benefits.

Required monthly contributions vary and are a percent of total cost. GASB requires estimated retiree costs to be based on experience taking the older ages in to account. The excess of expected age adjusted (or actual) costs over retiree contributions equals the implicit subsidy that forms the baseline cost for the valuation.

Health benefits for actives and retirees under 65 and dental are self-funded but administered by Wellmark. For persons over 65 a Medicare Supplement plan is purchased and prescription drug coverage is the same as for actives and under 65 retirees.

Life insurance for retirees is \$4,000 with no additional reductions. Retirees do not contribute for this coverage.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree health care on a pay-as-you-go basis.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 626,779
Interest on net OPEB obligation	28,204
Adjustment to annual required contribution	<u>(28,397)</u>
Annual OPEB cost	626,586
Contributions made	<u>(478,276)</u>
Increase in net OPEB cost	148,310
Net OPEB obligation beginning of year	<u>1,185,455</u>
Net OPEB obligation end of year	\$ <u>1,333,765</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the City did not contribute to the plan.

The City's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ <u>967,135</u>	37.2 %	\$ <u>607,162</u>
June 30, 2010	\$ <u>938,266</u>	38.4 %	\$ <u>1,185,455</u>
June 30, 2011	\$ <u>626,586</u>	76.3 %	\$ <u>1,333,765</u>

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$10,317,230 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,317,230. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,297,000 and the ratio of the UAAL to covered payroll was 349.1%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the City's past experience. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 7: OTHER NOTES PAYABLE

During the year ended June 30, 1993, the City entered into an agreement with the Iowa Finance Authority to borrow \$4,476,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 1 of a 3 phase project). The note calls for annual principal payments beginning June 1, 1995 with interest due semi-annually at the rate of 3.00%, changed from the original rate of 4.37% on December 1, 2005, with final maturity on June 1, 2014.

During the year ended June 30, 1995, the City entered into another agreement with the Iowa Finance Authority to borrow \$3,966,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 2 of a 3 phase project). The note calls for annual principal payments beginning June 1, 1996 with interest due semi-annually at the rate of 3.00%, changed from the original rate of 3.74% on December 1, 2005, with final maturity on June 1, 2015.

During the year ended June 30, 1996, the City entered into an agreement with the Iowa Finance Authority to borrow \$6,558,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 3 of a 3 phase project). The note calls for annual payments beginning June 1, 1998, with interest due semi-annually at the rate of 3.00%, changed from the original rate of 4.19% on December 1, 2006, with final maturity on June 1, 2016.

During the year ended June 30, 2007, the City entered into an agreement with the Iowa Finance Authority in connection with the issuance of a Sewer Revenue Capital Loan Note (Waste water plant improvements). The note calls for annual payments beginning June 1, 2010, with interest due semi-annually calculated at 3.00%. Proceeds received during the fiscal year 2011 were \$61,102.

During the year ended June 30, 2010, the City entered into an agreement with Iowa Finance Authority to borrow up to \$5,426,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 3 construction). The note calls for annual principal payments beginning on June 1, 2012, with interest due semi-annually at the rate of 3.00% with a final maturity date of June 1, 2041. Proceeds received during fiscal year 2011 were \$3,304,950.

During the year ended June 30, 2009, the City entered into an agreement with the Iowa Finance Authority in connection with the issuance of a Sewer Revenue Capital Loan Note for engineering, planning and design work related to the waste water plant and collection system. Interest is calculated at 0.00% on borrowings not to exceed \$650,000 for up to three years, until negotiations of the note is finalized. Proceeds received during fiscal year 2011 were \$137,862.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: OTHER NOTES PAYABLE (Continued)

The following is a summary of note transactions for the year ended June 30, 2011:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Proceeds During Year</u>	<u>Payments During Year</u>	<u>Balance End of Year</u>	<u>Interest Expense</u>
<u>Business Type Funds:</u>						
Sewer Utility:						
Phase 1	3.00%	\$ 1,224,000	\$ -	\$ 287,000	\$ 937,000	\$ 36,720
Phase 2	3.00%	1,279,000	-	237,000	1,042,000	38,370
Phase 3	3.00%	2,584,000	-	399,000	2,185,000	77,520
Waste water plant improvements	3.00%	3,261,898	61,102	74,000	3,250,000	99,279
North side study	0.00%	500,657	137,862	-	638,519	-
Phase 3 – construction	3.00%	<u>702,847</u>	<u>3,304,950</u>	<u>-</u>	<u>4,007,797</u>	<u>72,627</u>
Total enterprise funds		\$ <u>9,552,402</u>	\$ <u>3,503,914</u>	\$ <u>997,000</u>	\$ <u>12,060,316</u>	\$ <u>324,516</u>

The following table summarizes the principal and interest due on the City's other notes payable:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,670,519	\$ 343,133	\$ 2,013,652
2013	1,071,000	311,814	1,382,814
2014	1,108,000	279,684	1,387,684
2015	809,000	246,444	1,055,444
2016	685,000	222,503	907,503
2017	228,000	201,624	429,624
2018	236,000	194,784	430,784
2019	243,000	187,704	430,704
2020	250,000	180,696	430,696
2021	258,000	172,914	430,914
2022	267,000	165,174	432,174
2023	275,000	157,164	432,164
2024	283,000	149,143	432,143
2025	292,000	140,424	432,424
2026	302,000	131,664	433,664
2027	311,000	122,604	433,604
2028	321,000	113,442	434,442
2029	331,000	103,644	434,644
2030	342,000	93,714	435,714
2031	352,000	83,454	435,454
2032	364,000	72,993	436,993
2033	375,000	61,974	436,974
2034	387,000	50,724	437,724
2035	408,000	39,114	447,114
2036	404,797	26,894	431,691
2037	159,000	14,730	173,730
2038	164,000	9,960	173,960
2039	<u>164,000</u>	<u>5,040</u>	<u>169,040</u>
Total	\$ <u>12,060,316</u>	\$ <u>3,883,156</u>	\$ <u>15,943,472</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 8: INTEREST EXPENSE

Interest expense for the year ended June 30, 2011 is summarized below:

<u>Fund</u>	<u>General Obligation Bonds</u>	<u>Other Notes</u>	<u>Total</u>
Debt service	\$ 221,341	\$ 123,479	\$ 344,820
Sewer utility	-	<u>537,973</u>	<u>537,973</u>
Totals	\$ <u>221,341</u>	\$ <u>661,452</u>	\$ <u>882,793</u>

NOTE 9: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2011 the City had signed several construction contracts that are summarized below:

Total commitments	\$ 15,132,167
Less amounts paid or accrued	<u>8,729,395</u>
Remaining commitments	\$ <u>6,402,772</u>

A significant portion of these commitments are for street, sewer and airport projects and are financed by general obligation bonds and FAA Grants. The remaining balance at June 30, 2011 will be paid as work on the projects progress.

NOTE 10: INTERNAL SERVICE FUNDS NET ASSETS

The following is a summary of the changes in the internal service funds net assets for the year ended June 30, 2011:

	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
Net assets - Beginning of year	\$ 556,039	\$ 999,782	\$ 1,555,821
Change in net assets	<u>57,734</u>	<u>597,660</u>	<u>655,394</u>
Net assets - End of year	\$ <u>613,773</u>	\$ <u>1,597,442</u>	\$ <u>2,211,215</u>

NOTE 11: DONOR RESTRICTED ENDOWMENTS

The City has received certain endowments for the maintenance of the Ottumwa Cemetery. The amount is reflected in net assets as restricted for permanent funds. Investment income (including appreciation) is approved for expenditure by its individual Board. At June 30, 2011, net appreciation of \$30,300 was available to be spent, of which \$30,300 is restricted to specific purposes.

NOTE 12: RESERVED NET ASSETS

Reserved net assets for the business type activities consisted of the following at June 30, 2011:

<u>Fund</u>	<u>Description</u>	<u>Total</u>
Sewer Sinking	Debt service	\$ <u>95,000</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 13: CLOSURE AND POST CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is very large and the City expects it to remain in operation for another 40 to 50 years. The state and federal regulations require individual cells to be monitored for 30 years after closure. The \$2,327,001 reported as landfill closure and post closure care liability at June 30, 2011, represents the cumulative amount reported to date based on the use of 95% of the estimated capacity of the cell the City is currently using (which was recently expanded). Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. As future cells are developed in the landfill, the related closure and post closure costs will be accounted for and accrued over the respective operating lives of each cell. The following table summarizes the estimated liability and funds set aside for closure and post closure costs:

	<u>Closure</u>	<u>Post Closure</u>	<u>Total</u>
Balance, July 1, 2010	\$ 1,253,602	\$ 1,073,399	\$ 2,327,001
Fiscal year 2011 costs adjusted	<u>(45,315)</u>	<u>45,315</u>	<u>-</u>
Balance, June 30, 2011	\$ <u>1,208,287</u>	\$ <u>1,118,714</u>	\$ <u>2,327,001</u>

The City currently has funded \$625,352 for post closure and \$181,189 for closure cost. The unfunded portion of the closure and postclosure liability of \$1,520,460 is provided by the City in the form of a local government guarantee.

NOTE 14: RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$7,762 during the year ended June 30, 2011.

NOTE 15: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$482,759.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 15: RISK MANAGEMENT (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the City's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with public employee blanket bond. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 16: SELF INSURED HEALTH CARE

The City of Ottumwa maintains a self-funded health insurance plan for City employees. This plan is funded by the City and is administered by a third party. The City pays the administrator a monthly fixed fee for various claim administration services. The City carries specific stop-loss and aggregate stop-loss insurance against catastrophic losses. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. The following is a summary of claims and changes in the liability for the year.

	<u>Year Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Liability - Beginning of year	\$ 276,667	\$ 227,820
Payments and accruals	(2,379,555)	(2,723,524)
Estimated claims incurred	<u>2,412,906</u>	<u>2,772,371</u>
Liability - End of year	\$ <u>310,018</u>	\$ <u>276,667</u>

The above liabilities are included in accounts payable on the balance sheet.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

NOTE 17: SEWER UTILITY FUND

The combining statement of net assets for the Sewer Utility Fund as of June 30, 2011 is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Construction</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and pooled investments	\$ 1,883,559	\$ 95,000	\$ 1,475,774	\$ 3,454,333
Other assets	39,514,971	-	21,155	39,536,126
Total assets	<u>\$ 41,398,530</u>	<u>\$ 95,000</u>	<u>\$ 1,496,929</u>	<u>\$ 42,990,459</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Liabilities</u>	<u>\$ 19,176,233</u>	<u>\$ -</u>	<u>\$ 27,004</u>	<u>\$ 19,203,237</u>
<u>Net Assets:</u>				
Investment in capital assets, net of related debt	18,928,090	-	-	18,928,090
Retained earnings:				
Restricted:				
Debt service	-	95,000	-	95,000
Unrestricted	3,294,207	-	1,469,925	4,764,132
Total net assets	<u>22,222,297</u>	<u>95,000</u>	<u>1,469,925</u>	<u>23,787,222</u>
Total liabilities and net assets	<u>\$ 41,398,530</u>	<u>\$ 95,000</u>	<u>\$ 1,496,929</u>	<u>\$ 42,990,459</u>

The combining statement of revenues, expenses and changes in fund net assets for the Sewer Utility Fund for the year ended June 30, 2011 is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Improvement</u>	<u>Sewer Construction</u>	<u>Total</u>
Operating revenues	\$ 5,648,208	\$ -	\$ -	\$ -	\$ 5,648,208
Operating expenses	<u>1,296,499</u>	<u>-</u>	<u>-</u>	<u>4,228,817</u>	<u>5,525,316</u>
Operating income (loss)	4,351,709	-	-	(4,228,817)	122,892
Nonoperating revenue (expense), net	<u>438,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>438,928</u>
Income (loss) before other financing sources (uses)	4,790,637	-	-	(4,228,817)	561,820
Other financing sources (uses):					
Capital contributions and grants	810,953	-	-	-	810,953
Transfers in	2,285,568	1,140,000	360,000	4,886,109	8,671,677
Transfers out	<u>(6,622,290)</u>	<u>(1,140,000)</u>	<u>(360,000)</u>	<u>-</u>	<u>(8,122,290)</u>
Total other financing sources (uses)	<u>(3,525,769)</u>	<u>-</u>	<u>-</u>	<u>4,886,109</u>	<u>1,360,340</u>
Change in net assets	1,264,868	-	-	657,292	1,922,160
Net assets - Beginning of year	<u>20,957,429</u>	<u>95,000</u>	<u>-</u>	<u>812,633</u>	<u>21,865,062</u>
Net assets - End of year	<u>\$ 22,222,297</u>	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ 1,469,925</u>	<u>\$ 23,787,222</u>

Schedule of sewer rates/Customer census

Rate of Usage:

Base charge	\$14.25
Each 100 cubic foot unit	\$4.00

The Sewer Funds had 9716 meters in service at June 30, 2011.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

NOTE 18: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Internal Service	\$ 111,466
	Special Revenue:	
	Employee Benefits	2,527,442
	Emergency Fund	147,880
		<u>2,786,788</u>
State Road Use Tax Fund	Internal Service	197,900
	Special Revenue:	
	Local Option Sales Tax	967,722
	Employee Benefits	508,254
		<u>1,673,876</u>
Events Center	General	290,788
	Debt Service Fund	<u>1,170,000</u>
		<u>1,460,788</u>
Internal Service	General	107,700
	Special Revenue:	
	State Road Use tax	249,400
	Cemetery	10,000
		<u>367,100</u>
Nonmajor Special Revenue	General	111,225
	Special Revenue:	
	Employee Benefits	910,766
	Risk Management	9,405
	Permanent:	
	Cemetery Memorial	6,173
	Cemetery Prepetual Care	11,275
		<u>1,048,844</u>
Nonmajor Capital Project	General	15,000
	Capital Project:	
	Other Bond Projects	26,457
	Special Revenue:	
	State Road Use Tax	132,848
	Tax Increment Financing	808,542
	Local Option Sales Tax	226,000
	Employee Benefits	62,986
		<u>1,271,833</u>
Sewer Utility	Special Revenue:	
	Local Option Sales Tax	778,276
	Employee Benefits	7,293
	Debt Service	160,000
	Proprietary:	
	Sewer Utility	<u>7,726,108</u>
		<u>8,671,677</u>
Nonmajor Proprietary	Debt Service	<u>50,000</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	1,212,833
	Tax Increment Financing	895,239
	Proprietary:	
	Sewer Utility	396,182
	Solid Waste	24,038
		<u>2,528,292</u>
Total		\$ <u>19,859,198</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 19: DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Emergency	\$ <u>3,686</u>

This balance results from an interfund loans to finance projects. Repayments will be made from future revenues.

NOTE 20: FUND BALANCE REPORTING

The detail of the City's governmental funds modified accrual basis fund balances at June 30, 2011, is as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Permanent Funds</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ 3,385	\$ -	\$ -	\$ 66,963	\$ -	\$ 70,348
Insurance	-	-	-	197,562	-	197,562
Cemetery perpetual care	-	-	-	-	643,313	643,313
Cemetery memorial	-	-	-	-	<u>102,370</u>	<u>102,370</u>
Total nonspendable	<u>3,385</u>	<u>-</u>	<u>-</u>	<u>264,525</u>	<u>745,683</u>	<u>1,013,593</u>
Restricted for:						
Debt service	-	315,684	-	-	-	315,684
Road improvements	-	-	-	1,223,534	-	1,223,534
Tax increment financing	-	-	-	20,891	-	20,891
Local option sales tax	-	-	-	2,048,324	-	2,048,324
Employee benefits	-	-	-	617,914	-	617,914
Airport	-	-	-	242,375	-	242,375
Library/Library bequest	-	-	-	430,287	-	430,287
Cemetery	-	-	-	37,108	-	37,108
Block grants	-	-	-	14,711	-	14,711
Risk management	-	-	-	447,468	-	447,468
Fire	-	-	-	25,330	-	25,330
Retiree health insurance	-	-	-	1,918,858	-	1,918,858
Parks	-	-	-	74,941	-	74,941
Police	-	-	-	53,647	-	53,647
Historic preservation	-	-	-	2,989	-	2,989
Sidewalks	-	-	201,830	-	-	201,830
Airport projects	-	-	209,698	-	-	209,698
Street projects	-	-	2,484,881	-	-	2,484,881
Park projects	-	-	81,582	-	-	81,582
Other bond projects	-	-	987,091	-	-	987,091
Levee repairs	-	-	172,431	-	-	172,431
Cemetery perpetual care	-	-	-	-	7,378	7,378
Cemetery memorial	-	-	-	-	<u>30,300</u>	<u>30,300</u>
Total restricted	<u>-</u>	<u>315,684</u>	<u>4,137,513</u>	<u>7,158,377</u>	<u>37,678</u>	<u>11,649,252</u>
Assigned to:						
Police	<u>257,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,215</u>
Unassigned	<u>2,649,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,649,950</u>
Total fund balances	\$ <u>2,910,550</u>	\$ <u>315,684</u>	\$ <u>4,137,513</u>	\$ <u>7,422,902</u>	\$ <u>783,361</u>	\$ <u>15,570,010</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 21: SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 31, 2011, the date the financial statements were available to be issued. Subsequent to June 30, 2011, the City entered in to an agreement with Continental Properties Company, Inc. to develop land for a future construction site of a major retailer. In connection with this agreement, the City issued \$2,050,000 of general obligation bonds in September 2011.

CITY OF OTTUMWA, IOWA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS) -
GOVERNMENTAL AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
REVENUES:			
Property tax	\$ 11,821,122	\$ 388,870	\$ 12,209,992
Other city tax	3,685,698	-	3,685,698
Licenses and permits	303,609	-	303,609
Intergovernmental	5,115,394	1,279,719	6,395,113
Use of money and property	636,157	55,801	691,958
Charges for service	5,126,315	8,821,064	13,947,379
Other fines	340,286	-	340,286
Miscellaneous	959,740	150,298	1,110,038
Total revenues	<u>27,988,321</u>	<u>10,695,752</u>	<u>38,684,073</u>
EXPENSES:			
Current:			
Public safety	7,336,419	-	7,336,419
Public works	6,582,810	-	6,582,810
Health and social services	541,159	-	541,159
Culture and recreation	2,529,413	-	2,529,413
Community and economic development	1,087,413	-	1,087,413
General government	2,408,462	-	2,408,462
Capital projects	5,395,831	-	5,395,831
Debt service	8,416,155	-	8,416,155
Business-type activities	-	17,108,889	17,108,889
Total expenses	<u>34,297,662</u>	<u>17,108,889</u>	<u>51,406,551</u>
Excess (deficiency) of revenues over (under) expenses	<u>(6,309,341)</u>	<u>(6,413,137)</u>	<u>(12,722,478)</u>
Other financing sources, net	<u>6,330,122</u>	<u>11,510,325</u>	<u>17,840,447</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	20,781	5,097,188	5,117,969
Fund balance - Beginning of year	<u>15,549,229</u>	<u>2,489,360</u>	<u>18,038,589</u>
Fund balance - End of year	\$ <u>15,570,010</u>	\$ <u>7,586,548</u>	\$ <u>23,156,558</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 10,706,829	\$ 10,706,829	\$ 1,503,163
4,578,541	4,578,541	(892,843)
218,541	218,541	85,068
11,057,458	13,318,454	(6,923,341)
773,113	782,313	(90,355)
17,013,957	17,368,723	(3,421,344)
23,000	23,000	317,286
1,963,046	2,267,355	(1,157,317)
<u>46,334,485</u>	<u>49,263,756</u>	<u>(10,579,683)</u>
7,424,271	7,779,773	443,354
6,393,632	7,231,412	648,602
601,477	703,277	162,118
2,587,475	3,001,984	472,571
1,395,710	1,374,934	287,521
2,654,914	2,736,864	328,402
11,677,545	16,759,780	11,363,949
5,174,641	10,351,206	1,935,051
14,930,709	16,840,537	(268,352)
<u>52,840,374</u>	<u>66,779,767</u>	<u>15,373,216</u>
<u>(6,505,889)</u>	<u>(17,516,011)</u>	<u>4,793,533</u>
<u>3,693,000</u>	<u>13,299,959</u>	<u>4,540,488</u>
(2,812,889)	(4,216,052)	9,334,021
<u>19,902,468</u>	<u>23,683,997</u>	<u>(5,645,408)</u>
\$ <u>17,089,579</u>	\$ <u>19,467,945</u>	\$ <u>3,688,613</u>

CITY OF OTTUMWA, IOWA

BUDGET TO GAAP RECONCILIATION/
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	<u>Proprietary Funds</u>		
	<u>Budget</u> <u>Basis</u>	<u>Budget</u> <u>Adjustments</u>	<u>GAAP</u> <u>Basis</u>
Revenues	\$ 10,695,752	\$ (1,023,451)	\$ 11,719,203
Expenditures/expenses	<u>17,108,889</u>	<u>(5,803,331)</u>	<u>11,305,558</u>
Net	(6,413,137)	(6,826,782)	413,645
Other financing sources, net	11,510,325	9,474,188	2,036,137
Beginning net assets	<u>2,489,360</u>	<u>(41,333,811)</u>	<u>43,823,171</u>
Ending net assets	\$ <u>7,586,548</u>	\$ <u>(38,686,405)</u>	\$ <u>46,272,953</u>

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Project Funds, Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by \$13,939,393. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements in the business-type activities function exceeded the amount budgeted.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2009	July 1, 2008	\$ -	\$ <u>14,363,186</u>	\$ <u>14,363,186</u>	0.00%	\$ <u>2,672,000</u>	437.5%
2010	July 1, 2008	\$ -	\$ <u>14,363,186</u>	\$ <u>14,363,186</u>	0.00%	\$ <u>2,600,000</u>	452.4%
2011	July 1, 2010	\$ -	\$ <u>10,317,230</u>	\$ <u>10,317,230</u>	0.00%	\$ <u>2,297,000</u>	349.1%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

Schedule 1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,170,783	\$ 4,827,965	\$ 784,649	\$ 8,783,397
Receivables:				
Property taxes	941,313	-	-	941,313
Accounts	218,630	124,960	-	343,590
Other governments	86,397	711,200	-	797,597
Inventory	29,166	-	-	29,166
Prepaid insurance	197,562	-	-	197,562
Deposit	25,000	-	-	25,000
 TOTAL ASSETS	 \$ 4,668,851	 \$ 5,664,125	 \$ 784,649	 \$ 11,117,625
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 191,965	\$ 1,295,411	\$ 1,288	\$ 1,488,664
Excess of outstanding checks over bank balance	38,695	-	-	38,695
Wages and benefits payable	27,000	-	-	27,000
Unearned property tax revenue	917,712	-	-	917,712
Unearned revenue	15,351	231,201	-	246,552
Due to other funds	3,686	-	-	3,686
 TOTAL LIABILITIES	 1,194,409	 1,526,612	 1,288	 2,722,309
<u>FUND BALANCES:</u>				
Nonspendable	226,728	-	745,683	972,411
Restricted	3,247,714	4,137,513	37,678	7,422,905
 TOTAL FUND BALANCES	 3,474,442	 4,137,513	 783,361	 8,395,316
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 4,668,851	 \$ 5,664,125	 \$ 784,649	 \$ 11,117,625

OTHER SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

Schedule 2

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>REVENUES:</u>				
Property tax	\$ 946,859	\$ -	\$ -	\$ 946,859
Intergovernmental	565,643	1,386,079	-	1,951,722
Use of money and property	458,567	36,900	13,252	508,719
Charges for service	462,669	331,079	14,455	808,203
Miscellaneous	705,878	213,034	-	918,912
Total revenues	<u>3,139,616</u>	<u>1,967,092</u>	<u>27,707</u>	<u>5,134,415</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	88,458	858,332	-	946,790
Public works	749,225	180	-	749,405
Health and social services	-	69,438	-	69,438
Culture and recreation	1,266,086	136,003	-	1,402,089
Community and economic development	548,444	26,115	-	574,559
General government	1,174,910	86,653	-	1,261,563
Capital outlay	-	5,086,465	-	5,086,465
Total expenditures	<u>3,827,123</u>	<u>6,263,186</u>	<u>-</u>	<u>10,090,309</u>
Excess (deficiency) of revenues over (under) expenditures	(687,507)	(4,296,094)	27,707	(4,955,894)
Other financing sources (uses):				
Transfers in	1,048,844	1,271,833	-	2,320,677
Transfers out	(167,285)	(26,457)	(17,448)	(211,190)
General obligation bonds issued	-	2,369,768	-	2,369,768
Total other financing sources (uses)	<u>881,559</u>	<u>3,615,144</u>	<u>(17,448)</u>	<u>4,479,255</u>
Net change in fund balances	194,052	(680,950)	10,259	(476,639)
Fund balance - Beginning of year	<u>3,280,390</u>	<u>4,818,463</u>	<u>773,102</u>	<u>8,871,955</u>
Fund balance - End of year	\$ <u>3,474,442</u>	\$ <u>4,137,513</u>	\$ <u>783,361</u>	\$ <u>8,395,316</u>

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

<u>ASSETS</u>	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Block Grants</u>
Cash and cash equivalents	\$ 254,738	\$ -	\$ 329,203	\$ 40,496	\$ -
Receivables:					
Property taxes	-	123,046	387,982	117,819	-
Accounts	59,438	-	636	4,205	15,351
Other governments	17,329	-	-	-	68,568
Inventory	29,166	-	-	-	-
Prepaid Insurance	13,922	-	6,180	3,830	-
Deposit	-	-	-	-	-
TOTAL ASSETS	\$ 374,593	\$ 123,046	\$ 724,001	\$ 166,350	\$ 83,919
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 82,730	\$ -	\$ 3,632	\$ 5,387	\$ 15,162
Excess of outstanding checks over bank balance	-	-	-	-	38,695
Wages and benefits payable	6,400	-	13,800	5,100	-
Unearned property tax revenue	-	119,360	378,742	114,925	-
Unearned revenue	-	-	-	-	15,351
Due to other funds	-	3,686	-	-	-
TOTAL LIABILITIES	89,130	123,046	396,174	125,412	69,208
<u>FUND BALANCES:</u>					
Nonspendable	43,088	-	6,180	3,830	-
Restricted	242,375	-	321,647	37,108	14,711
TOTAL FUND BALANCES	285,463	-	327,827	40,938	14,711
TOTAL LIABILITIES AND FUND BALANCES	\$ 374,593	\$ 123,046	\$ 724,001	\$ 166,350	\$ 83,919

<u>Risk Management</u>	<u>Fire Bequest</u>	<u>Retiree Health Insurance</u>	<u>Library Bequest</u>	<u>Park Bequest</u>	<u>Police Bequest</u>	<u>Historic Preservation</u>	<u>Total</u>
\$ 455,077	\$ 26,112	\$ 1,820,037	\$ 112,895	\$ 74,941	\$ 54,795	\$ 2,489	\$ 3,170,783
312,466	-	-	-	-	-	-	941,313
-	-	139,000	-	-	-	-	218,630
-	-	-	-	-	-	500	86,397
-	-	-	-	-	-	-	29,166
173,630	-	-	-	-	-	-	197,562
<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<u>\$ 966,173</u>	<u>\$ 26,112</u>	<u>\$ 1,959,037</u>	<u>\$ 112,895</u>	<u>\$ 74,941</u>	<u>\$ 54,795</u>	<u>\$ 2,989</u>	<u>\$ 4,668,851</u>
\$ 38,690	\$ 782	\$ 40,179	\$ 4,255	\$ -	\$ 1,148	\$ -	\$ 191,965
-	-	-	-	-	-	-	38,695
1,700	-	-	-	-	-	-	27,000
304,685	-	-	-	-	-	-	917,712
-	-	-	-	-	-	-	15,351
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,686</u>
<u>345,075</u>	<u>782</u>	<u>40,179</u>	<u>4,255</u>	<u>-</u>	<u>1,148</u>	<u>-</u>	<u>1,194,409</u>
173,630	-	-	-	-	-	-	226,728
<u>447,468</u>	<u>25,330</u>	<u>1,918,858</u>	<u>108,640</u>	<u>74,941</u>	<u>53,647</u>	<u>2,989</u>	<u>3,247,714</u>
<u>621,098</u>	<u>25,330</u>	<u>1,918,858</u>	<u>108,640</u>	<u>74,941</u>	<u>53,647</u>	<u>2,989</u>	<u>3,474,442</u>
<u>\$ 966,173</u>	<u>\$ 26,112</u>	<u>\$ 1,959,037</u>	<u>\$ 112,895</u>	<u>\$ 74,941</u>	<u>\$ 54,795</u>	<u>\$ 2,989</u>	<u>\$ 4,668,851</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Block Grants</u>
<u>REVENUES:</u>					
Property tax	\$ -	\$ 147,880	\$ 370,688	\$ 116,104	\$ -
Intergovernmental	126,789	-	26,651	-	401,635
Use of money and property	412,261	-	3,150	22,395	-
Charges for service	-	-	13,324	113,586	-
Miscellaneous	<u>243,349</u>	<u>-</u>	<u>73,714</u>	<u>7,379</u>	<u>3,957</u>
Total revenues	<u>782,399</u>	<u>147,880</u>	<u>487,527</u>	<u>259,464</u>	<u>405,592</u>
<u>EXPENDITURES:</u>					
Operating:					
Public safety	-	-	-	-	-
Public works	749,225	-	-	-	-
Culture and recreation	-	-	746,517	309,255	-
Community and economic development	146,035	-	-	-	395,611
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>895,260</u>	<u>-</u>	<u>746,517</u>	<u>309,255</u>	<u>395,611</u>
Excess (deficiency) of revenues over (under) expenditures	(112,861)	147,880	(258,990)	(49,791)	9,981
Other financing sources (uses):					
Transfers in	54,983	-	156,221	76,411	-
Transfers out	<u>-</u>	<u>(147,880)</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>54,983</u>	<u>(147,880)</u>	<u>156,221</u>	<u>66,411</u>	<u>-</u>
Net change in fund balances	(57,878)	-	(102,769)	16,620	9,981
Fund balance - Beginning of year	<u>343,341</u>	<u>-</u>	<u>430,596</u>	<u>24,318</u>	<u>4,730</u>
Fund balance - End of year	\$ <u>285,463</u>	\$ <u>-</u>	\$ <u>327,827</u>	\$ <u>40,938</u>	\$ <u>14,711</u>

<u>Risk Management</u>	<u>Fire Bequest</u>	<u>Retiree Health Insurance</u>	<u>Library Bequest</u>	<u>Park Bequest</u>	<u>Police Bequest</u>	<u>Historic Preservation</u>	<u>Total</u>
\$ 312,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 946,859
-	-	-	-	-	4,173	6,395	565,643
3,983	215	14,718	926	434	485	-	458,567
-	-	335,759	-	-	-	-	462,669
5,976	2,250	165,043	76,466	83,643	44,101	-	705,878
<u>322,146</u>	<u>2,465</u>	<u>515,520</u>	<u>77,392</u>	<u>84,077</u>	<u>48,759</u>	<u>6,395</u>	<u>3,139,616</u>
43,017	2,438	-	-	-	43,003	-	88,458
-	-	-	-	-	-	-	749,225
-	-	-	190,756	19,558	-	-	1,266,086
-	-	-	-	-	-	6,798	548,444
311,877	-	863,033	-	-	-	-	1,174,910
<u>354,894</u>	<u>2,438</u>	<u>863,033</u>	<u>190,756</u>	<u>19,558</u>	<u>43,003</u>	<u>6,798</u>	<u>3,827,123</u>
(32,748)	27	(347,513)	(113,364)	64,519	5,756	(403)	(687,507)
111,225	-	650,004	-	-	-	-	1,048,844
(9,405)	-	-	-	-	-	-	(167,285)
<u>101,820</u>	<u>-</u>	<u>650,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881,559</u>
69,072	27	302,491	(113,364)	64,519	5,756	(403)	194,052
<u>552,026</u>	<u>25,303</u>	<u>1,616,367</u>	<u>222,004</u>	<u>10,422</u>	<u>47,891</u>	<u>3,392</u>	<u>3,280,390</u>
\$ <u>621,098</u>	\$ <u>25,330</u>	\$ <u>1,918,858</u>	\$ <u>108,640</u>	\$ <u>74,941</u>	\$ <u>53,647</u>	\$ <u>2,989</u>	\$ <u>3,474,442</u>

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 197,572	\$ 188,555	\$ 2,905,214
Receivables:			
Accounts	4,258	-	-
Other governments	<u>-</u>	<u>608,371</u>	<u>36,790</u>
TOTAL ASSETS	\$ <u>201,830</u>	\$ <u>796,926</u>	\$ <u>2,942,004</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ -	\$ 587,228	\$ 457,123
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>587,228</u>	<u>457,123</u>
<u>FUND BALANCES:</u>			
Restricted	<u>201,830</u>	<u>209,698</u>	<u>2,484,881</u>
TOTAL FUND BALANCES	<u>201,830</u>	<u>209,698</u>	<u>2,484,881</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>201,830</u>	\$ <u>796,926</u>	\$ <u>2,942,004</u>

Schedule 5

<u>Park Projects</u>	<u>Other Bond Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ 230,410	\$ 1,100,566	\$ 205,648	\$ 4,827,965
2,001	118,701	-	124,960
<u>15,000</u>	<u>42,347</u>	<u>8,692</u>	<u>711,200</u>
\$ <u>247,411</u>	\$ <u>1,261,614</u>	\$ <u>214,340</u>	\$ <u>5,664,125</u>
\$ 53,329	\$ 155,822	\$ 41,909	\$ 1,295,411
<u>112,500</u>	<u>118,701</u>	<u>-</u>	<u>231,201</u>
<u>165,829</u>	<u>274,523</u>	<u>41,909</u>	<u>1,526,612</u>
<u>81,582</u>	<u>987,091</u>	<u>172,431</u>	<u>4,137,513</u>
<u>81,582</u>	<u>987,091</u>	<u>172,431</u>	<u>4,137,513</u>
\$ <u>247,411</u>	\$ <u>1,261,614</u>	\$ <u>214,340</u>	\$ <u>5,664,125</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>
<u>REVENUES:</u>			
Intergovernmental	\$ -	\$ 1,007,822	\$ 36,790
Use of money and property	1,734	3,410	26,339
Charges for service	-	331,079	-
Miscellaneous	<u>1,833</u>	<u>-</u>	<u>152,470</u>
Total revenues	<u>3,567</u>	<u>1,342,311</u>	<u>215,599</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General government	-	-	-
Capital outlay	<u>12,122</u>	<u>1,456,069</u>	<u>2,931,850</u>
Total expenditures	<u>12,122</u>	<u>1,456,069</u>	<u>2,931,850</u>
Deficiency of revenues under expenditures	(8,555)	(113,758)	(2,716,251)
Other financing sources (uses):			
Transfers in	-	179,843	947,647
Transfers out	-	-	-
General obligation bonds issued	<u>-</u>	<u>73,102</u>	<u>1,382,137</u>
Total other financing sources (uses)	<u>-</u>	<u>252,945</u>	<u>2,329,784</u>
Net change in fund balances	(8,555)	139,187	(386,467)
Fund balance - Beginning of year	<u>210,385</u>	<u>70,511</u>	<u>2,871,348</u>
Fund balance - End of year	\$ <u>201,830</u>	\$ <u>209,698</u>	\$ <u>2,484,881</u>

Schedule 6

<u>Park Projects</u>	<u>Other Bond Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ 248,000	\$ 51,065	\$ 42,402	\$ 1,386,079
2,306	-	3,111	36,900
-	-	-	331,079
<u>45,141</u>	<u>13,491</u>	<u>99</u>	<u>213,034</u>
<u>295,447</u>	<u>64,556</u>	<u>45,612</u>	<u>1,967,092</u>
-	259,861	598,471	858,332
-	180	-	180
-	69,438	-	69,438
-	136,003	-	136,003
-	26,115	-	26,115
-	86,653	-	86,653
<u>686,424</u>	<u>-</u>	<u>-</u>	<u>5,086,465</u>
<u>686,424</u>	<u>578,250</u>	<u>598,471</u>	<u>6,263,186</u>
(390,977)	(513,694)	(552,859)	(4,296,094)
21,723	-	122,620	1,271,833
-	(26,457)	-	(26,457)
<u>206,029</u>	<u>533,500</u>	<u>175,000</u>	<u>2,369,768</u>
<u>227,752</u>	<u>507,043</u>	<u>297,620</u>	<u>3,615,144</u>
(163,225)	(6,651)	(255,239)	(680,950)
<u>244,807</u>	<u>993,742</u>	<u>427,670</u>	<u>4,818,463</u>
\$ <u>81,582</u>	\$ <u>987,091</u>	\$ <u>172,431</u>	\$ <u>4,137,513</u>

CITY OF OTTUMWA, IOWA

Schedule 7

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2011

	Cemetery Perpetual Care	Cemetery Memorial	Total Nonmajor Permanent Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ <u>651,979</u>	\$ <u>132,670</u>	\$ <u>784,649</u>
TOTAL ASSETS	\$ <u>651,979</u>	\$ <u>132,670</u>	\$ <u>784,649</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ <u>1,288</u>	\$ <u>-</u>	\$ <u>1,288</u>
<u>FUND BALANCES:</u>			
Nonspendable	643,313	102,370	745,683
Restricted	<u>7,378</u>	<u>30,300</u>	<u>37,678</u>
TOTAL FUND BALANCES	<u>650,691</u>	<u>132,670</u>	<u>783,361</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>651,979</u>	\$ <u>132,670</u>	\$ <u>784,649</u>

CITY OF OTTUMWA, IOWA

Schedule 8

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
YEAR ENDED JUNE 30, 2011

	Cemetery Perpetual Care	Cemetery Memorial	Total Nonmajor Permanent Funds
<u>REVENUES:</u>			
Interest Income	\$ 11,275	\$ 1,977	\$ 13,252
Charges for service	<u>14,455</u>	<u>-</u>	<u>14,455</u>
Total revenues	<u>25,730</u>	<u>1,977</u>	<u>27,707</u>
Other financing uses:			
Transfers out	<u>(11,275)</u>	<u>(6,173)</u>	<u>(17,448)</u>
Net change in fund balances	14,455	(4,196)	10,259
Fund balance - Beginning of year	<u>636,236</u>	<u>136,866</u>	<u>773,102</u>
Fund balance - End of year	\$ <u>650,691</u>	\$ <u>132,670</u>	\$ <u>783,361</u>

CITY OF OTTUMWA, IOWA

Schedule 9

COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2011

<u>ASSETS</u>	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Current Assets:			
Cash and cash equivalents	\$ 62,385	\$ 3,648	\$ 66,033
Receivables:			
Accounts	2,300	309	2,609
Property taxes	390,549	-	390,549
Due from other governments	267,161	-	267,161
Prepaid expenses	28,313	25,952	54,265
Total Current Assets	<u>750,708</u>	<u>29,909</u>	<u>780,617</u>
Capital Assets:			
Land	-	80,000	80,000
Buildings	1,262,958	174,855	1,437,813
Improvements other than buildings	-	893,562	893,562
Machinery and equipment	3,099,163	395,502	3,494,665
Less accumulated depreciation	<u>(2,161,640)</u>	<u>(937,712)</u>	<u>(3,099,352)</u>
Total Capital Assets	<u>2,200,481</u>	<u>606,207</u>	<u>2,806,688</u>
TOTAL ASSETS	\$ <u>2,951,189</u>	\$ <u>636,116</u>	\$ <u>3,587,305</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts payable	\$ 43,171	\$ 26,063	\$ 69,234
Wages and benefits payable	20,400	-	20,400
Due to other governments	84,423	-	84,423
Compensated absences payable	10,428	-	10,428
Unearned property tax revenue	380,856	-	380,856
Current portion of bonds payable	-	122,500	122,500
Total Current Liabilities	<u>539,278</u>	<u>148,563</u>	<u>687,841</u>
Long-term Liabilities:			
Other post employment benefits obligation	53,137	6,082	59,219
Due to other governments	84,423	-	84,423
Bonds payable:			
Long-term	-	177,500	177,500
Total long-term Liabilities	<u>137,560</u>	<u>183,582</u>	<u>321,142</u>
TOTAL LIABILITIES	<u>676,838</u>	<u>332,145</u>	<u>1,008,983</u>
<u>NET ASSETS:</u>			
Invested in net assets, net of related debt	2,200,481	306,207	2,506,688
Unrestricted	<u>73,870</u>	<u>(2,236)</u>	<u>71,634</u>
TOTAL NET ASSETS	<u>2,274,351</u>	<u>303,971</u>	<u>2,578,322</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,951,189</u>	\$ <u>636,116</u>	\$ <u>3,587,305</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

Schedule 10

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:			
Charges for service	\$ 164,672	\$ -	\$ 164,672
Miscellaneous	<u>10,556</u>	<u>10,000</u>	<u>20,556</u>
Total operating revenues	<u>175,228</u>	<u>10,000</u>	<u>185,228</u>
Operating expenses:			
Operations	1,091,090	26,858	1,117,948
Depreciation	<u>416,786</u>	<u>45,635</u>	<u>462,421</u>
Total operating expenses	<u>1,507,876</u>	<u>72,493</u>	<u>1,580,369</u>
Operating loss	<u>(1,332,648)</u>	<u>(62,493)</u>	<u>(1,395,141)</u>
Nonoperating revenue:			
Interest income	1,317	-	1,317
Property taxes	388,870	-	388,870
Intergovernmental	<u>475,978</u>	<u>25,952</u>	<u>501,930</u>
Total nonoperating revenue	<u>866,165</u>	<u>25,952</u>	<u>892,117</u>
Loss before other financing sources	(466,483)	(36,541)	(503,024)
Other financing sources:			
Capital contributions and grants	188,000	-	188,000
Transfers in	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Total other financing sources	<u>188,000</u>	<u>50,000</u>	<u>238,000</u>
Change in net assets	(278,483)	13,459	(265,024)
Net assets - Beginning of year	<u>2,552,834</u>	<u>290,512</u>	<u>2,843,346</u>
Net assets - End of year	\$ <u>2,274,351</u>	\$ <u>303,971</u>	\$ <u>2,578,322</u>

CITY OF OTTUMWA, IOWA

Schedule 11

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 177,396	\$ 9,967	\$ 187,363
Cash paid to employees	(700,315)	-	(700,315)
Cash paid to suppliers	(179,512)	(32,271)	(211,783)
Cash used in operations	(879,827)	(32,271)	(912,098)
NET CASH USED IN OPERATING ACTIVITIES	(702,431)	(22,304)	(724,735)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	388,781	-	388,781
Intergovernmental	313,798	25,952	339,750
Transfers from other funds	-	50,000	50,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	702,579	75,952	778,531
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
General obligation bonds issued	-	300,000	300,000
Payment of long term debt:			
General obligation bonds	-	(350,000)	(350,000)
Additions to property and equipment	(253,711)	-	(253,711)
Capital contributions and grants	188,000	-	188,000
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(65,711)	(50,000)	(115,711)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	1,317	-	1,317
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(64,246)	3,648	(60,598)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year	126,631	-	126,631
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ 62,385	\$ 3,648	\$ 66,033
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating loss	\$ (1,332,648)	\$ (62,493)	\$ (1,395,141)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	416,786	45,635	462,421
Changes in assets and liabilities:			
Decrease (increase) in receivables	2,168	(33)	2,135
Decrease (increase) in prepaid expenses	1,122	(25,952)	(24,830)
Increase in accounts payable	33,076	25,949	59,025
Decrease in excess of outstanding checks over bank balance	-	(6,312)	(6,312)
Increase in wages and benefits payable	4,880	-	4,880
Increase in due to other governments	168,846	-	168,846
Decrease in compensated absences payable	(4,537)	-	(4,537)
Increase in other post employment benefits obligation	7,876	902	8,778
NET CASH USED IN OPERATING ACTIVITIES	\$ (702,431)	\$ (22,304)	\$ (724,735)

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

Schedule 12

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	<u>Payroll Clearing</u>	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>155,474</u>	\$ <u>613,773</u>	\$ <u>1,907,460</u>	\$ <u>2,676,707</u>
TOTAL ASSETS	\$ <u>155,474</u>	\$ <u>613,773</u>	\$ <u>1,907,460</u>	\$ <u>2,676,707</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ <u>155,474</u>	\$ <u>-</u>	\$ <u>310,018</u>	\$ <u>465,492</u>
TOTAL LIABILITIES	<u>155,474</u>	<u>-</u>	<u>310,018</u>	<u>465,492</u>
<u>NET ASSETS:</u>				
Restricted	<u>-</u>	<u>-</u>	<u>1,597,442</u>	<u>1,597,442</u>
Unrestricted	<u>-</u>	<u>613,773</u>	<u>-</u>	<u>613,773</u>
TOTAL NET ASSETS	<u>-</u>	<u>613,773</u>	<u>1,597,442</u>	<u>2,211,215</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>155,474</u>	\$ <u>613,773</u>	\$ <u>1,907,460</u>	\$ <u>2,676,707</u>

CITY OF OTTUMWA, IOWA

Schedule 13

COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN
FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Charges for service and other operating revenues	\$ <u> -</u>	\$ <u>2,996,804</u>	\$ <u>2,996,804</u>
<u>EXPENSES:</u>			
Operations	<u> -</u>	<u>2,412,906</u>	<u>2,412,906</u>
Operating income	<u> -</u>	<u>583,898</u>	<u>583,898</u>
Nonoperating revenue:			
Interest income	<u> -</u>	<u>13,762</u>	<u>13,762</u>
Income before other financing sources (uses)	<u> -</u>	<u>597,660</u>	<u>597,660</u>
Other financing sources (uses):			
Transfers in	367,100	-	367,100
Transfers out	<u>(309,366)</u>	<u> -</u>	<u>(309,366)</u>
Total other financing sources (uses)	<u>57,734</u>	<u> -</u>	<u>57,734</u>
Change in net assets	57,734	597,660	655,394
Net assets - Beginning of year	<u>556,039</u>	<u>999,782</u>	<u>1,555,821</u>
Net assets - End of year	\$ <u>613,773</u>	\$ <u>1,597,442</u>	\$ <u>2,211,215</u>

CITY OF OTTUMWA, IOWA

Schedule 14

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Payroll Clearing	Equipment Purchasing	Employee Insurance	Total Nonmajor Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from operations	\$ 13,874	\$ -	\$ 2,996,804	\$ 3,010,678
Cash paid to suppliers	-	-	(2,379,555)	(2,379,555)
Cash used in operations	-	-	(2,379,555)	(2,379,555)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,874	-	617,249	631,123
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers from other funds	-	367,100	-	367,100
Transfers to other funds	-	(309,366)	-	(309,366)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	57,734	-	57,734
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest income received	-	-	13,762	13,762
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,874	57,734	631,011	702,619
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>141,600</u>	<u>556,039</u>	<u>1,276,449</u>	<u>1,974,088</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	<u>\$ 155,474</u>	<u>\$ 613,773</u>	<u>\$ 1,907,460</u>	<u>\$ 2,676,707</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating Income	\$ -	\$ -	\$ 583,898	\$ 583,898
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in assets and liabilities:				
Increase in accounts payable	13,874	-	33,351	47,225
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 13,874	\$ -	\$ 617,249	\$ 631,123

CITY OF OTTUMWA, IOWA

Schedule 15

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>Expenditures of Federal Awards</u>			
<u>Direct:</u>			
Department of Transportation:			
Airport Improvement Program	20.106	AIP-3-19-0073-15	\$ 45,434
<u>Indirect:</u>			
Department of Housing and Urban Development:			
Community Development Block Grant/Small Cities Program	14.219	07-HM-114-09	10,746
Community Development Block Grant/Small Cities Program	14.219	07-HSG-020	136,583
Community Development Block Grant/Small Cities Program	14.219	10-HM-119-65	210
			<u>147,539</u>
Community Development Block Grant/Entitlement Grants	14.228	-	219,030
Community Development Block Grant/Entitlement Grants - ARRA	14.255	09-CDR-004	170,565
			<u>389,595</u>
Department of Commerce:			
EDA Grant	11.301	05-01-04959	<u>565,830</u>
Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	-	750,304
Formula Grants for Other Than Urbanized Areas - ARRA	20.509	IA-18-X029	282,360
			<u>1,032,664</u>
Job Access Reverse Commute	20.516	-	35,638
New Freedom Operating Assistance	20.521	-	13,877
			<u>49,515</u>
Highway Planning and Construction	20.205	STP-U-5825(628)-70-90	<u>36,790</u>
State and Community Highway Safety	20.600	PAP-10-02-TASK04	13,792
State and Community Highway Safety	20.600	PAP-11-02-TASK04	23,564
			<u>37,356</u>
Department of Justice:			
Edward Byrne Memorial Formula Grant Program	16.738	-	92,252
Edward Byrne Memorial - JAG Program - ARRA	16.803	-	203,611
			<u>295,863</u>
Juvenile Justice and Delinquency Prevention	16.541	-	7,015
Cops Grant	16.710	-	128,137
Department of Homeland Security:			
Interagency Hazardous Materials Public Sector Training and Planning	20.703	FY 10	16,028
Interagency Hazardous Materials Public Sector Training and Planning	20.703	FY 11	6,085
			<u>22,113</u>
Disaster Grants - Public Assistance	97.036	-	846,048
Assistance to Firefighters Grant	97.044	-	21,487
Environmental Protection Agency:			
Brownfields Assessment and Cleanup Cooperative Agreements - ARRA	66.818	-	28,555
Capitalization Grants for Clean Water State Revolving Funds	66.458	-	2,149,740
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458	-	640,388
			<u>2,790,128</u>
Department of Agriculture:			
Solid Waste Management Grants	10.762	-	7,335
Total Expenditures of Indirect Federal Awards			<u>6,405,970</u>
Total Expenditures of Federal Awards			\$ <u>6,451,404</u>

CITY OF OTTUMWA, IOWA

Schedule 15 (Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Ottumwa, Iowa and is presented on the accrual/modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF OTTUMWA, IOWA

STATISTICAL SECTION

CITY OF OTTUMWA, IOWA

STATISTICAL SECTION

This part of the City of Ottumwa, Iowa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	78
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	89
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the government's ability to issue additional debt in the future.	95
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	101
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	104

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF OTTUMWA, IOWA

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>Fiscal Year</u>				
	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Government Activities:					
Invested in capital assets, net of related debt	\$ 8,649	\$ 13,046	\$ 19,610	\$ 49,211	\$ 32,195
Restricted	349	82	203	297	983
Unrestricted	<u>6,429</u>	<u>7,491</u>	<u>8,115</u>	<u>3,065</u>	<u>8,000</u>
Total governmental activities net assets	\$ <u>15,427</u>	\$ <u>20,619</u>	\$ <u>27,928</u>	\$ <u>52,573</u>	\$ <u>41,178</u>
Business Type Activities:					
Invested in capital assets, net of related debt	\$ 10,101	\$ 10,263	\$ 10,830	\$ 11,774	\$ 30,964
Restricted	1,235	1,600	1,544	1,453	95
Unrestricted	<u>2,482</u>	<u>2,147</u>	<u>1,363</u>	<u>1,477</u>	<u>4,904</u>
Total business type activities net assets	\$ <u>13,818</u>	\$ <u>14,010</u>	\$ <u>13,737</u>	\$ <u>14,704</u>	\$ <u>35,963</u>
Primary Government:					
Invested in capital assets, net of related debt	\$ 18,750	\$ 23,309	\$ 30,440	\$ 60,985	\$ 63,159
Restricted	1,584	1,682	1,747	1,750	1,078
Unrestricted	<u>8,911</u>	<u>9,638</u>	<u>9,478</u>	<u>4,542</u>	<u>12,904</u>
Total primary government net assets	\$ <u>29,245</u>	\$ <u>34,629</u>	\$ <u>41,665</u>	\$ <u>67,277</u>	\$ <u>77,141</u>

(1) First year of reporting on Government-wide financial statements.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 33,886	\$ 27,558	\$ 34,381	\$ 37,392
1,001	1,015	1,036	1,099
<u>8,645</u>	<u>15,578</u>	<u>14,795</u>	<u>15,222</u>
\$ <u>43,532</u>	\$ <u>44,151</u>	\$ <u>50,212</u>	\$ <u>53,713</u>
\$ 33,644	\$ 35,088	\$ 39,705	\$ 41,334
95	95	95	95
<u>4,554</u>	<u>4,567</u>	<u>4,160</u>	<u>5,157</u>
\$ <u>38,293</u>	\$ <u>39,750</u>	\$ <u>43,960</u>	\$ <u>46,586</u>
\$ 67,530	\$ 62,646	\$ 74,086	\$ 78,726
1,096	1,110	1,131	1,194
<u>13,199</u>	<u>20,145</u>	<u>19,779</u>	<u>20,379</u>
\$ <u>81,825</u>	\$ <u>83,901</u>	\$ <u>94,996</u>	\$ <u>100,299</u>

CITY OF OTTUMWA, IOWA

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	Fiscal Year				
	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental Activities:					
General government	\$ 2,347	\$ 2,190	\$ 2,509	\$ 2,711	\$ 2,565
Public safety	6,699	5,535	5,555	5,684	6,436
Public services	4,123	4,312	5,421	6,859	5,798
Culture and recreation	2,063	1,660	984	1,982	2,288
Community development	2,562	1,941	1,896	1,467	1,674
Interest on long-term debt	568	832	609	634	714
Total governmental activities expenses	<u>18,362</u>	<u>16,470</u>	<u>16,974</u>	<u>19,337</u>	<u>19,475</u>
Business Type Activities:					
Solid waste	1,737	1,852	1,889	1,686	2,037
Sewer utility	3,401	3,498	3,618	3,842	3,991
Events center	-	-	-	-	1,161 (2)
Other (Transit/Golf)	1,113	1,493	1,615	1,731	1,793
Total business type activities expenses	<u>6,251</u>	<u>6,843</u>	<u>7,122</u>	<u>7,259</u>	<u>8,982</u>
Total primary government expenses	<u>24,613</u>	<u>23,313</u>	<u>24,096</u>	<u>26,596</u>	<u>28,457</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	1,032	1,121	1,211	1,537	1,491
Public safety	411	431	413	464	217
Public services	1,585	2,375	2,481	2,812	2,720
Culture and recreation	778	745	746	856	674
Community development	728	290	627 (4)	1,691 (4)	151
Operating grants and contributions	3,726	3,033	2,909	2,903	3,157
Capital grants and contributions	<u>1,258</u>	<u>1,768</u>	<u>2,830 (3)</u>	<u>5,152 (3)</u>	<u>1,050</u>
Total governmental activities program revenues	<u>9,518</u>	<u>9,763</u>	<u>11,217</u>	<u>15,415</u>	<u>9,460</u>
Business Type Activities:					
Charges for services:					
Solid waste	1,590	1,916	1,568	1,674	1,575
Sewer utility	3,294	3,374	3,235	3,911	3,783
Events center	-	-	-	-	293
Other (Transit/Golf)	476	633	675	717	660
Operating grants and contributions	288	364	239	469	651
Capital grants and contributions	<u>16</u>	<u>77</u>	<u>519</u>	<u>567</u>	<u>6,621 (5)</u>
Total business type activities program revenues	<u>5,664</u>	<u>6,364</u>	<u>6,236</u>	<u>7,338</u>	<u>13,583</u>
Total primary government program revenues	\$ <u>15,182</u>	\$ <u>16,127</u>	\$ <u>17,453</u>	\$ <u>22,753</u>	\$ <u>23,043</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 2,478	\$ 2,609	\$ 2,270	\$ 2,454
6,780	7,160	7,418	7,878
6,817	7,783	7,624	7,865
2,319	2,415	2,459	2,607
1,508	1,392	1,668	1,672
768	734	878	472
<u>20,670</u>	<u>22,093</u>	<u>22,317</u>	<u>22,948</u>
1,886	2,179	1,941	2,118
4,549	5,050	5,138	5,866
1,755	1,765	1,817	1,684
1,943	1,800	1,483	1,580
<u>10,133</u>	<u>10,794</u>	<u>10,379</u>	<u>11,248</u>
<u>30,803</u>	<u>32,887</u>	<u>32,696</u>	<u>34,197</u>
1,598	1,563	1,767	1,825
530	623	723	899
3,249	2,970	3,184	4,060
785	1,151	717	854
27	12	36	76
2,988	3,056	3,612	3,054
642	409	5,259	2,061
<u>9,819</u>	<u>9,784</u>	<u>15,298</u>	<u>12,829</u>
1,942	1,952	2,099	2,419
4,264	5,039	5,670	5,723
526	583	655	746
634	428	191	203
666	679	792	1,280
1,919	791	3,920	1,023
<u>9,951</u>	<u>9,472</u>	<u>13,327</u>	<u>11,394</u>
\$ <u>19,770</u>	\$ <u>19,256</u>	\$ <u>28,625</u>	\$ <u>24,223</u>

CITY OF OTTUMWA, IOWA

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Fiscal Year</u> <u>2007</u>
Net (expense) revenue:					
Governmental activities	\$ (8,844)	\$ (6,707)	\$ (5,757)	\$ (3,922)	\$ (10,015)
Business type activities	<u>(587)</u>	<u>(479)</u>	<u>(886)</u>	<u>79</u>	<u>4,601</u>
Total primary government net expense	<u>(9,431)</u>	<u>(7,186)</u>	<u>(6,643)</u>	<u>(3,843)</u>	<u>(5,414)</u>
General Revenues and Other Changes In Net Assets					
Governmental Activities:					
Taxes:					
Property taxes	8,489	8,780	9,721	9,920	10,833
Sales taxes	2,255	2,218	2,359	2,791	2,783
Other taxes	931	882	921	917	574
Investment earnings	357	100	195	268	363
Miscellaneous	40	141	138	22	49
Transfers	<u>56</u>	<u>(204)</u>	<u>(135)</u>	<u>(359)</u>	<u>(5,563)</u>
Total governmental activities	<u>12,128</u>	<u>11,917</u>	<u>13,199</u>	<u>13,559</u>	<u>9,039</u>
Business Type Activities:					
Property taxes	295	295	324	336	354
Investment earnings	214	171	154	169	258
Miscellaneous	-	-	-	-	103
Transfers	<u>(56)</u>	<u>204</u>	<u>135</u>	<u>383</u>	<u>5,563</u>
Total business type activities	<u>453</u>	<u>670</u>	<u>613</u>	<u>888</u>	<u>6,278</u>
Total primary government	<u>12,581</u>	<u>12,587</u>	<u>13,812</u>	<u>14,447</u>	<u>15,317</u>
Change in Net Assets:					
Government activities	3,284	5,210	7,442	9,637	(976)
Business type activities	<u>(134)</u>	<u>191</u>	<u>(273)</u>	<u>967</u>	<u>10,879</u>
Total primary government	\$ <u>3,150</u>	\$ <u>5,401</u>	\$ <u>7,169</u>	\$ <u>10,604</u>	\$ <u>9,903</u>

(1) First year of reporting on Government-wide financial statements.

(2) The Bridge View Events Center opened December 31, 2006. During construction from 2004 to 2006 it was accounted for in a capital projects fund.

(3) Included \$1,137 and \$4,583 Vision Iowa grant revenue for construction of the Bridge View Events Center for fiscal years 2005 and 2006, respectively.

(4) Included \$322 and \$1,321 donations for construction of the Bridge View Events Center for fiscal years 2005 and 2006, respectively.

(5) Included \$2,662 for construction of the Bridge View Events Center and \$3,673 for sewer separation.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ (10,852)	\$ (12,309)	\$ (7,019)	\$ (10,121)
<u>(181)</u>	<u>(1,322)</u>	<u>2,949</u>	<u>145</u>
<u>(11,033)</u>	<u>(13,631)</u>	<u>(4,070)</u>	<u>(9,976)</u>
11,042	11,258	11,371	11,821
2,847	2,839	2,770	3,075
582	568	583	611
390	259	136	102
17	60	58	48
<u>(1,673)</u>	<u>(2,056)</u>	<u>(1,837)</u>	<u>(2,036)</u>
<u>13,205</u>	<u>12,928</u>	<u>13,081</u>	<u>13,621</u>
352	372	379	389
267	167	74	56
220	184	-	-
<u>1,673</u>	<u>2,056</u>	<u>1,837</u>	<u>2,036</u>
<u>2,512</u>	<u>2,779</u>	<u>2,290</u>	<u>2,481</u>
<u>15,717</u>	<u>15,707</u>	<u>15,371</u>	<u>16,102</u>
2,354	619	6,062	3,500
<u>2,330</u>	<u>1,457</u>	<u>5,239</u>	<u>2,626</u>
\$ <u>4,684</u>	\$ <u>2,076</u>	\$ <u>11,301</u>	\$ <u>6,126</u>

CITY OF OTTUMWA, IOWA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Utility Replacement</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
2002	\$ 408	\$ 7,765	\$ 2,025	\$ 434	\$ 10,632
2003	473	8,489	2,255	458	11,675
2004	438	8,780	2,218	444	11,880
2005	431	9,721	2,359	490	13,001
2006	418	9,920	2,791	499	13,628
2007	445	10,388	2,783	574	14,190
2008	434	10,612	2,847	582	14,475
2009	426	10,833	2,839	567	14,665
2010	412	11,337	2,770	583	15,102
2011	382	11,828	3,075	611	15,896

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ 110
Unreserved	921	1,327	1,356	1,389
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	\$ <u>921</u>	\$ <u>1,327</u>	\$ <u>1,356</u>	\$ <u>1,499</u>
All Other Governmental Funds:				
Reserved	\$ 4,828	\$ 17,301 (1)	\$ 15,801 (1)	\$ 16,846 (1)
Unreserved, report in:				
Special revenue funds	652	1,190	1,052	1,001
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Total all other governmental funds	\$ <u>5,480</u>	\$ <u>18,491</u> (1)	\$ <u>16,853</u> (1)	\$ <u>17,847</u> (1)

- (1) Includes Events Center Construction Fund balances of \$10,733; \$10,176; \$9,729 and \$2,399 for June 30, 2003 to 2006, respectively.
- (2) Fiscal years June 30, 2006 and earlier reported compensated absences as liabilities in the governmental funds. The General Fund had \$362 and the other governmental funds had \$94 reported as liabilities as of June 30, 2006. Those liabilities have been removed from the governmental fund financial statements and prior year fund balances have not been restated.
- (3) The City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions in fiscal year 2011.

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> (3)
\$ 113	\$ 142	\$ 142	\$ 142	\$ 8	\$ -
1,757 (2)	2,244	2,431	2,431	2,130	-
-	-	-	-	-	4
-	-	-	-	-	257
-	-	-	-	-	2,650
\$ <u>1,870</u>	\$ <u>2,386</u>	\$ <u>2,573</u>	\$ <u>2,573</u>	\$ <u>2,138</u>	\$ <u>2,911</u>
\$ 9,905 (1)	\$ 8,076	\$ 8,940	\$ 8,940	\$ 11,503	\$ -
1,235 (2)	1,342	1,530	1,530	1,908	-
-	-	-	-	-	11,649
-	-	-	-	-	1,010
\$ <u>11,140</u> (1)	\$ <u>9,418</u>	\$ <u>10,470</u>	\$ <u>10,470</u>	\$ <u>13,411</u>	\$ <u>12,659</u>

CITY OF OTTUMWA, IOWA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Taxes	\$ 10,632	\$ 11,675	\$ 11,879	\$ 13,001
Licenses and permits	258	351	291	334
Intergovernmental	3,847	5,084	4,801	5,739
Money and property	683	753	876	930
Charges for services	1,260	2,674	3,448	3,647
Fines	106	102	122	125
Miscellaneous	309	969	398	798
Total revenues	<u>17,095</u>	<u>21,608</u>	<u>21,815</u>	<u>24,574</u>
Expenditures (1)				
General government	1,007	2,028	2,085	2,442
Public safety (2)	6,712 (2)	6,717 (2)	4,937	5,805
Public works	3,432	3,881	4,688	4,844
Health and social services (1)	-	307	309	380
Culture and recreation	1,988	2,031	2,007	2,040
Community and economic development (1)	-	798	805	533
Capital outlay (3)	1,709	6,147	5,197 (3)	5,649 (3)
Debt service:				
Principal	2,041	2,187	2,461	3,205
Interest	450	361	939	666
Total expenditures	<u>17,339</u>	<u>24,457</u>	<u>23,428</u>	<u>25,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(244)</u>	<u>(2,849)</u>	<u>(1,613)</u>	<u>(990)</u>
Other financing sources (uses):				
Transfers in	3,233	4,186	5,647	6,092
Transfers out	(3,888)	(4,093)	(5,799)	(6,268)
Bond proceeds (3)	710	15,635 (3)	-	2,335
Bond issue costs	(15)	(22)	-	(32)
Refunding bond payments	-	-	-	-
Total other financing sources (uses)	<u>40</u>	<u>15,706</u>	<u>(152)</u>	<u>2,127</u>
Total changes in fund balances	\$ <u>(204)</u>	\$ <u>12,857</u>	\$ <u>(1,765)</u>	\$ <u>1,137</u>
Debt service as a percentage of noncapital expenditures	15.9 %	13.9 %	18.6 %	19.4 %

(1) Expenditures prior to FY 2003 were categorized differently. Health and social services were classified under culture and recreation. Community and economic development were classified with public works. There were several other classification differences as well.

(2) 100% of the local option sales tax for FY 1999 through FY 2003 was dedicated to the Wapello County Joint Law Enforcement Center.

(3) Bond proceeds in FY 2003 of \$11,000 for the Bridge View Events Center which was completed December 31, 2006. Capital outlay included \$465, \$2,127 and \$13,475 for fiscal years 2004, 2005 and 2006, respectively.

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 13,628	\$ 14,190	\$ 14,472	\$ 14,665	\$ 14,724	\$ 15,507
366	277	315	296	269	304
8,055	3,930	3,630	3,464	8,871	5,115
1,277	1,075	1,123	930	780	636
4,030	3,942	4,252	4,217	4,271	5,126
128	119	260	334	289	340
1,862	662	493	791	583	960
<u>29,346</u>	<u>24,195</u>	<u>24,545</u>	<u>24,697</u>	<u>29,787</u>	<u>27,988</u>
2,651	2,484	2,320	2,407	2,289	2,409
5,606	5,823	5,877	6,020	6,236	7,337
5,423	5,135	5,971	5,862	5,626	6,582
561	491	522	547	606	541
2,254	2,155	2,125	2,172	2,396	2,529
684	676	441	783	1,069	1,087
15,196 (3)	3,167	2,226	2,050	7,154	5,396
2,633	1,916	2,124	3,523	2,525	3,238
655	674	796	1,035	773	469
<u>35,663</u>	<u>22,521</u>	<u>22,402</u>	<u>24,399</u>	<u>28,674</u>	<u>29,588</u>
<u>(6,317)</u>	<u>1,674</u>	<u>2,143</u>	<u>298</u>	<u>1,113</u>	<u>(1,600)</u>
6,633	7,022	9,160	7,866	7,478	9,310
(7,153)	(12,648)	(10,731)	(10,065)	(9,300)	(11,404)
500	4,710	680	5,165	-	8,424
-	(21)	(13)	(49)	-	(69)
-	-	-	-	-	(4,640)
<u>(20)</u>	<u>(937)</u>	<u>(904)</u>	<u>2,917</u>	<u>(1,822)</u>	<u>1,621</u>
\$ <u>(6,337)</u>	\$ <u>737</u>	\$ <u>1,239</u>	\$ <u>3,215</u>	\$ <u>(709)</u>	\$ <u>21</u>
16.1 %	13.3 %	14.5 %	21.6 %	12.9 %	18.2 %

CITY OF OTTUMWA, IOWA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

(In Thousands of Dollars)

Fiscal Year Ended <u>June 30</u>	<u>Real Property</u>			<u>Personal Property</u>	<u>Total Assessed Value</u>	<u>Less: (2) Tax Exempt Real Property</u>
	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Other Property (1)</u>			
2002	\$ 399,833	\$ 116,420	\$ 62,972	\$ 5,677	\$ 584,902	\$ 178,634
2003 (3)	433,766	119,161	59,296	1,916	614,139	215,997
2004	437,280	121,682	62,235	-	621,197	216,184
2005 (4)	462,608	161,992	64,683	-	689,283	248,288
2006	464,815	176,776	64,926	-	706,517	251,106
2007 (5)	522,207	183,813	63,515	-	769,535	291,873
2008	526,914	183,139	66,595	-	776,648 (6)	303,516
2009	585,903	186,441	66,648	-	838,992 (6)	335,562
2010	588,920	187,484	67,397	-	843,801 (6)	330,259
2011	627,402	200,662	72,184	-	900,248 (6)	358,118

(1) Utilities, industrial and railroad property.

(2) Residential property is subject to a statewide formula that "rolls back" the assessed value. The formula has ranged from 51.67% in FY 2002 to 46.91% in FY 2011.

(3) State ordered increase of 8% to residential values.

(4) State ordered increase of 5% to residential and 17% to commercial values.

(5) State ordered increase of 12% to residential values.

(6) Does not include captured TIF increment. Captured TIF increment for FY 2011 amounted to 20.6 million taxable (524.6 million assessed value).

<u>Total Taxable Value</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Value to Assessed Value</u>
\$ 406,268	\$ 18.872	\$ 69.5
398,142	20.441	64.8
405,013	20.985	65.2
440,995	21.434	64.0
455,411	21.593	64.5
477,662	21.614	62.1
473,132 (6)	22.080	61.3
503,330	21.058	60.0
513,542	20.793	60.9
542.130	20.456	60.2

CITY OF OTTUMWA, IOWA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
 UNAUDITED

<u>Fiscal Year</u>	<u>City of Ottumwa</u>			<u>Wapello County</u>			<u>Overlapping</u>
	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Total Levy</u>	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Total Levy</u>	
2002	\$ 15.021	\$ 3.851	\$ 18.872	\$ 6.897	\$ 0.267	\$ 7.164	
2003	16.400	4.041	20.441	7.300	0.258	7.558	
2004	16.945	4.040	20.985	7.553	0.247	7.800	
2005	17.296	4.138	21.434	8.131	0.260	8.391	
2006	18.243	3.350	21.593	8.837	0.218	9.055	
2007	18.377	3.237	21.614	9.638	0.210	9.848	
2008	18.281	3.789	22.070	10.085	-	10.085	
2009	17.473	3.589	21.058	9.591	-	9.591	
2010	17.194	3.599	20.793	9.411	0.326	9.737	
2011	17.006	3.450	20.456	8.809	0.308	9.117	

Source: Wapello County Auditor's Office

* For fiscal years 2005, 2006 and 2007, the school debt was paid from School Infrastructure Local Option Sales Tax (SILO)

<u>Rates</u>					Total Direct and Overlapping Rates
<u>Ottumwa Community School District</u>					
<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Total Levy</u>	<u>Other Levies</u>		
\$ 14.613	\$ 2.584	\$ 17.197	\$ 1.278	\$ 44.511	
14.960	2.631	17.591	1.295	46.885	
14.964	2.600	17.564	1.233	47.582	
14.851	*	14.851	1.205	45.881	
14.945	*	14.945	1.293	46.886	
13.858	*	13.858	1.375	46.695	
14.086	0.501	14.587	1.260	48.002	
13.944	1.000	14.944	1.281	46.874	
13.944	1.000	14.944	1.362	46.836	
13.970	1.000	14.970	1.427	45.970	

CITY OF OTTUMWA, IOWA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

(Amounts Expressed in Thousands)

Taxpayer	2011			2002		
	January 1, 2009 Taxable Value	Rank	Percentage of Total Taxable Value	January 1, 2000 Taxable Value	Rank	Percentage of Total Taxable Value
Interstate Power and Light	\$ 22,990	1	4.07 %	\$ 17,914	1	4.48 %
Cargill Meat Solutions	15,991	2	2.83	15,850	2	3.97
Regional Retirement Living-Ottumwa LLC	12,990	3	2.30	-	-	-
Walmart Real Estate Business Trust	11,263	4	1.99	3,867	10	0.97
Menard Inc.	9,621	5	1.70	-	-	-
Mid American Energy	8,486	6	1.50	6,167	5	1.54
Developers Diversified Realty	8,022	7	1.42	12,042	4	3.01
Ottumwa Medical Clinic Inc.	7,341	8	1.30	5,353	6	1.34
John Deere Ottumwa Works	7,194	9	1.27	13,318	3	3.33
Millard Refrigerated Services	5,119	10	0.90	4,016	9	1.01
NECA/PBTF Holding	-	-	-	5,088	7	1.27
Qwest Corp.	-	-	-	4,861	8	1.22
Totals	\$ <u>109,017</u>		<u>19.28 %</u>	\$ <u>88,476</u>		<u>22.14 %</u>

Source: Wapello County Auditor's Office

CITY OF OTTUMWA, IOWA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
 UNAUDITED
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Total Tax</u> <u>Levy for (1)</u> <u>Fiscal Year</u>	<u>Collected Within the</u> <u>Fiscal Year of the Levy</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>		<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>			<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>
2002 (2)	\$ 8,667	\$ 8,577	99.0 %	47	\$	8,624	99.5 %
2003 (2)	9,170	9,293	100.0	5		9,298	100.0
2004 (2)	9,532	9,490	99.6	8		9,498	99.6
2005 (2)	10,517	10,464	99.5	12		10,476	99.6
2006 (2)	10,621	10,662	100.0	11		10,673	100.0
2007 (2)	10,676	10,663	99.9	2		10,665	99.9
2008 (2)	10,954	10,610	96.9	1		10,611	96.9
2009 (2)	11,646	11,645	99.9	2		11,657	100.0
2010 (2)	11,369	11,746	103.3	3		11,749	103.3
2011 (2)	11,164	12,136	108.7	-		12,136	108.7

(1) Includes TIF Taxes

(2) Includes Utility Replacement Taxes

CITY OF OTTUMWA, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands, Except Per Capita Amount)

Fiscal Year	Governmental		Business Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Activities						
	General Obligation Bonds	Sewer Bonds	General Obligation Bonds				
2002	\$ 6,551	\$ 11,308	\$ 1,090	\$ 18,949	2.29 %	\$ 758	
2003	20,017	10,640	985	31,642	3.67	1,266	
2004	17,556	9,946	870	28,372	3.22	1,135	
2005	16,786	9,223	750	26,759	2.81	1,070	
2006	14,653	8,623	625	23,901	2.46	964	
2007	8,664	7,790	11,054	27,508	2.86	1,109	
2008	7,245	7,020	11,367	25,632	2.62	1,060	
2009	8,575	8,071	14,534	31,180	3.02	1,257	
2010	6,130	9,552	13,036	28,718	3.48	1,158	
2011	6,610	12,060	11,043	29,713	N/A	1,187	

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Demographic and Economic Statistics on page 101 for personal income and population data.

CITY OF OTTUMWA, IOWA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands, Except Per Capita Amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2002	\$ 6,551	\$ 157	\$ 6,394	1.09 %	\$ 256
2003	20,017	98	19,919	3.24	797
2004	17,556	82	17,474	2.81	699
2005	16,786	203	16,583	2.41	662
2006	14,653	297	14,356	2.03	579
2007	16,949	244	16,705	2.17	674
2008	18,612	248	18,364	2.36	759
2009	23,109	256	22,853	2.72	915
2010	19,166	369	18,797	2.23	777
2011	17,653	316	17,337	1.92	693

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on pages 89 and 90 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 101.

CITY OF OTTUMWA, IOWA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2011

UNAUDITED

(Amounts Expressed in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Wapello County	\$ 2,065	56.91 %	\$ 1,175
Ottumwa Community Schools	12,030	79.10	<u>9,516</u>
Subtotal, overlapping debt			10,691
City of Ottumwa direct debt			<u>17,337</u>
Total direct and overlapping debt			\$ <u>28,028</u>

Source: Debt outstanding was obtained from Ottumwa Community Schools and Wapello County. Assessed value data used to estimate applicable percentages were provided by Wapello County Auditor's Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Ottumwa. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
 UNAUDITED
 (Amounts Expressed in Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 30,642	\$ 32,308	\$ 32,615	\$ 35,950
Total net debt applicable to limit	<u>7,484</u>	<u>20,905</u>	<u>18,345</u>	<u>17,333</u>
Legal debt margin	\$ <u>23,158</u>	\$ <u>11,403</u>	\$ <u>14,270</u>	\$ <u>18,617</u>
Total net debt applicable to the limit as a percentage of debt limit	24.42 %	64.71 %	56.25 %	48.21 %

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 36,656	\$ 39,854	\$ 40,211	\$ 43,669	\$ 43,899	\$ 46,070
<u>14,981</u>	<u>19,718</u>	<u>18,612</u>	<u>23,109</u>	<u>19,166</u>	<u>17,653</u>
\$ <u>21,675</u>	\$ <u>20,136</u>	\$ <u>21,599</u>	\$ <u>20,560</u>	\$ <u>24,733</u>	\$ <u>28,417</u>
40.87 %	49.48 %	46.29 %	52.91 %	43.66 %	38.32 %

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2011

Total assessed value	\$ <u>921,403</u>
Debt limit (5% of total assessed value)	\$ <u>46,070</u>
Debt applicable to limit:	
General obligation bonds	17,653
Less: Amount set aside for repayment of general obligation debt	<u>316</u>
Total net debt applicable to limit	<u>17,337</u>
Legal debt margin	\$ <u>28,733</u>

Note: Under state finance law, the City of Ottumwa, Iowa's outstanding general obligation debt should not exceed 5 percent of total assessed property value. By Law, the general obligation debt subject to the limitation may be offset by amounts set aside for repayment of general obligation bonds.

CITY OF OTTUMWA, IOWA
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
 UNAUDITED
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Sewer Revenue Bonds</u>					
	<u>Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2002	3,616	2,055	1,561	640	499	1.37
2003	3,437	2,184	1,253	668	472	1.10
2004	3,470	2,388	1,082	694	444	0.95
2005	3,299	2,444	855	723	415	0.75
2006	3,993	2,701	1,292	751	359	1.16
2007	3,973	2,724	1,249	802	283	1.15
2008	4,317	2,834	1,483	831	234	1.39
2009	5,087	3,119	1,968	860	229	1.81
2010	5,491	3,193	2,298	1,612	274	1.22
2011	5,452	3,413	2,039	997	325	1.54

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Sewer charges and other includes investment income. Operating expenses do not include interest or depreciation.

CITY OF OTTUMWA, IOWA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
 UNAUDITED

<u>Fiscal Year</u>	<u>City</u>	<u>County</u>	<u>Personal Income (In Thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>Education Level in Years of Formal Schooling (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2002	24,998	36,024	\$ 828,735	\$ 23,005	38.2	12.7	4,928	6.3 %
2003	24,998	35,922	862,582	24,013	38.2	12.7	4,889	6.4
2004	24,998	35,867	880,388	24,546	38.2	12.7	4,889	6.7
2005	24,998	35,793	951,425	26,581	38.2	12.7	4,860	5.7
2006	24,798	35,965	970,839	26,994	38.2	12.7	4,768	4.5
2007	24,800	36,010	961,035	26,688	38.2	12.7	4,745	4.1
2008	24,187	35,513	979,768	27,589	38.2	12.7	4,591	4.4
2009	24,962	35,334	1,032,177	29,212	38.2	12.7	4,582	8.9
2010	24,195	35,965	824,030	22,912	38.2	12.7	4,856	8.2
2011	25,022	35,625	N/A	N/A	39.8	12.7	4,530	7.9

Data Sources:

(1) Bureau of Census

(2) School District

(3) Iowa Workforce Development

Note: Personal income and per capita personal income are based on Wapello County statistics. City of Ottumwa figures are not readily available.

CITY OF OTTUMWA, IOWA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
 UNAUDITED

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Cargill Meat Solutions	2,400	1	13.13 %	1,700	1	8.95 %
John Deere Ottumwa Works	940	2	5.14	709	3	3.73
Ottumwa Regional Health Center	750	3	4.10	950	2	5.00
Ottumwa Community Schools	616	4	3.37	545	4	2.87
HyVee Corporation	425	5	2.32	303	6	1.59
Walmart Super Center	364	6	1.99	195	10	1.03
Indian Hills Community College	322	7	1.76	372	5	1.96
City of Ottumwa	263	8	1.44	241	8	1.27
Winger Corporation	242	9	1.32	-	-	-
Dr Pepper Snapple Group	199	10	1.09	200	9	1.04
Regional Ventures	-	-	-	242	7	1.28
	<u>6,521</u>		<u>35.66 %</u>	<u>5,457</u>		<u>28.72 %</u>

Source: Ottumwa Economic Development Corporation and prior City annual reports.

CITY OF OTTUMWA, IOWA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	13	12	12	12	13	13	13	12	12	12
Public Safety:										
Police:										
Officers	36	36	36	36	36	36	36	37	40	40
Civilians	11	11	10	10	10	9	9	9	9	10
Firefighters	33	33	33	33	33	33	33	33	33	33
Public Services:										
Engineering	8	8	8	8	9	9	9	9	9	9
Maintenance	33	33	32	34	34	34	31 *	31	27	28
Health and Social Services	7	7	6	6	6	7	7	7	7	6
Culture and Recreation:										
Parks/Beach	29	29	29	26	26	26	23 *	23	23	23
Cemetery	7	7	7	7	7	7	4	5	4	4
Library	12	10	10	10	11	11	12	12	11	11
Community Development	5	5	5	4	4	4	4	4	4	5
Solid Waste	12	12	13	13	13	13	13	12	12	12
Sewer	21	21	22	22	22	22	22	22	23	24
Transit/Golf	<u>15</u>	<u>16</u>	<u>19</u>	<u>19</u>	<u>18</u>	<u>20</u>	<u>23</u>	<u>25</u>	<u>18</u>	<u>19</u>
 Total	 <u>242</u>	 <u>240</u>	 <u>242</u>	 <u>240</u>	 <u>242</u>	 <u>244</u>	 <u>239</u>	 <u>241</u>	 <u>232</u>	 <u>236</u>

Source: City Personnel Budget

* Decrease due to contracting out some seasonal employees.

CITY OF OTTUMWA, IOWA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

Function	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police: (1)										
1. Physical arrests	2,990	3,357	3,695	3,623	3,607	3,788	3,606	3,963	3,780	3,925
2. Traffic tickets	5,740	5,355	4,561	4,277	4,675	5,222	4,620	5,406	5,179	4,168
3. Parking citations	7,025	5,942	5,174	3,158	2,587	2,623	2,747	2,473	2,212	2,300
Fire: (1)										
4. Number of calls answered (3)	713	1,566	2,228	2,223	2,297	2,450	2,684	2,534	2,364	2,617
5. Fire prevention activities	135	143	139	145	137	360	307	229	194	197
Highways and Streets: (1)										
Street resurfacing (miles)	(2)	(2)	(2)	(2)	(2)	2.91	4.53	405	3.50	2.50
Pot holes repaired	(2)	(2)	(2)	(2)	(2)	3,002	3,102	4,653	10,546	9,791
Utility patches repaired	(2)	(2)	(2)	(2)	(2)	157	149	78	74	56
City Sanitation:										
Refuse collected (tons)	6,341	6,352	6,382	6,587	6,641	6,828	7,027	6,922	7,127	7,101
Recyclables collected (tons)	973	1,040	1,057	1,069	1,074	1,049	1,090	1,089	1,155	1,117
Solid Waste:										
Landfill tonnage	33,065	41,498	41,503	35,670	37,793	43,930	35,958	36,005	37,771	38,001
Recycling tonnage	2,982	2,694	2,751	2,993	2,968	2,666	3,049	3,360	2,770	3,187
Health Department:										
Number of inspections	(2)	(2)	(2)	(2)	2,495	2,490	2,503	3,287	4,856	4,928
Nuisance complaints	(2)	(2)	(2)	(2)	2,926	2,916	2,659	2,373	2,269	2,034
Culture and Recreation:										
Beach Ottumwa admissions (2)	(2)	(2)	(2)	(2)	(2)	(2)	19,830	25,487	21,042	23,861
Golf rounds played (1)	31,928	27,500	28,940	30,740	31,112	30,134	27,260	25,066	25,113	24,325
Wastewater: (1)										
Average sewage treatment (thousands of gallons)	6,071	4,894	4,437	5,621	4,768	6,499	6,423	7,495	7,483	6,745

Sources: Various City Departments.

(1) Police, Fire, Highways and Streets, Golf and Wastewater statistics are for the previous calendar year

(2) Information not readily available

(3) Fire Department started responding to traffic accidents and medical calls during 2003

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
 UNAUDITED

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Function:						
Public Safety:						
Police:						
Stations	1	1	1	1	1	1
Patrol units	10	10	10	10	10	10
Fire stations	2	2	2	2	2	2
Public Works:						
Highways and Streets:						
Streets (miles)	(2)	(2)	(2)	(2)	(2)	156.2
Streetlights	2,463	2,463	2,463	2,358	2,358	2,359
Traffic signals	(2)	(2)	(2)	(2)	27	27
Culture and Recreation: (1)						
Parks acreage	716	716	716	533	533	533
Parks	17	17	17	19	19	19
Playgrounds	14	14	14	11	11	11
Tennis courts	17	17	17	10	10	10
Softball/baseball diamonds	24	24	24	20	20	20
Library:						
Items in collection	60,743	61,416	64,262	67,217	71,077	79,432
Cemeteries:						
Facilities	3	3	3	3	3	3
Acreage	88	88	88	88	88	88
Sewer:						
Sanitary sewers (miles)	(2)	(2)	(2)	(2)	(2)	48.8
Storm sewers (miles)	(2)	(2)	(2)	(2)	(2)	13.5
Combined sewers	(2)	(2)	(2)	(2)	(2)	66.86
Maximum daily treatment capacity (thousands of gallons)	10,000	10,000	10,000	10,000	10,000	10,000

Sources: Various City Departments.

Note: No capital asset indicators are available for the general government function.

(1) The City also owns one golf course (Cedar Creek) and one water recreation park (Beach Ottumwa)

(2) Information not readily available

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1	1	1	1
10	10	10	10
2	2	2	2
156.2	156.2	156.2	156.2
2,359	2,359	2,359	2,359
26	26	26	26
533	533	533	533
22	22	22	22
12	12	12	13
10	10	10	10
20	20	20	20
83,093	89,148	87,725	63,505
3	3	3	3
88	88	88	88
48.8	48.8	48.8	48.8
15.9	18.3	21.5	25.4
64.46	62.06	58.90	55.00
10,000	10,000	10,000	10,000

CITY OF OTTUMWA, IOWA

COMPLIANCE SECTION



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members
of the City Council
Ottumwa, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of Ottumwa, Iowa's basic financial statements and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Ottumwa, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ottumwa, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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103 Benton Avenue East • Albion, Iowa 52531 • (641) 932-3295 • Fax (641) 932-2549

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Ottumwa, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Ottumwa, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ottumwa, Iowa and other parties to whom the City of Ottumwa, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ottumwa, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
December 21, 2011



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members
of the City Council
Ottumwa, Iowa

Compliance

We have audited the City of Ottumwa, Iowa's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Ottumwa, Iowa's major federal programs for the year ended June 30, 2011. The City of Ottumwa, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Ottumwa, Iowa's management. Our responsibility is to express an opinion on the City of Ottumwa, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ottumwa, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Ottumwa, Iowa's compliance with those requirements.

In our opinion, the City of Ottumwa, Iowa complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the City of Ottumwa, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Ottumwa, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ottumwa, Iowa and other parties to whom the City of Ottumwa, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
December 21, 2011

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weaknesses in internal control over major programs were noted.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. Major programs were as follows:

CFDA Number

11.301	EDA Grant
14.228	Community Development Block Grant – Entitlement Grants
14.255	Community Development Block Grant – Entitlement Grants
20.509	Formula Grants for Other Than Urbanized Areas
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.036	Disaster Grants – Public Assistance

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. City of Ottumwa, Iowa qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

No material weaknesses in internal control were noted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INTERNAL CONTROL DEFICIENCIES

No material weaknesses in internal control over the major programs were noted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the business-type activities function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- IV-B-11 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Keith Caviness, City Council The Photo Shop (Owner)	Printing	\$ 263
Monte Derby, Cemetery board member Happy Joes (Owner)	Food	53
Brenda Stevens, Transit employee Jim's Appliance Service (Spouse is Owner)	Repair	205
Kristi McDowell, Finance Department Bob McDowell Construction, Inc. (Spouse is Owner)	Construction	2,147
Larry Seals Dixie Parker (Common Law Spouse)	Cleaning	5,094

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with The Photo Shop, Happy Joes, and Jim's Appliance Service does not appear to represent conflicts of interest since total transactions with these businesses were less than \$1,500 during the fiscal year. The transactions with Bob McDowell Construction, Inc. and Dixie Parker do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- IV-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- IV-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-11 Revenue Bonds/Notes - No instances of non-compliance with the revenue bond/note provisions were noted.